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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Police swoop in gun hunting

...nd Yard raided houses in ...lone, Sidcup and Bexley, ...in an operation aimed at ...ing a ring believed to be ...ing weapons and explo... to gangs of robbers.

...d grenades, pistols, knives, ...wder and equipment for ...g bullets were seized. The ...s follow the arrest in ...of a man who had a ...l revolver with 50 rounds ...munition in the boot of his ...

...umber of people are help... ...ith inquiries, but the police ...asised that there was no ...stion of terrorist involve...

...lta holds key

...is holding up the ending ...e European security talks ...lgrade by insisting, against ...opposition of the other 34 ...ipants, on a declaration ...Mediterranean security. ...rthur Goldberg, head of the ...delegation, warned that the ...risked turning the confer... into an object of ridicule.

...rary go-ahead

Government has given the ...ead for a £164m. British ...y, to be built on a 9½-acre ...ext to St. Pancras Station, ...n. Work is expected to ...next year on the building, ...will house 25m. volumes ...completed towards the ...of the century.

...inese rights

...has published a new con...ion, strengthening the ...of its citizens to speak out ...increasing the powers of ...ament in relation to the ...munist Party. Page 4

...litburo victim

Werner Lamberz, among ...youngest members of the ...German Politburo and con...ed one of the most likely ...ssors to Herr Erich ...cker, the Communist Party ...r, has died in a helicopter ...in Libya. Page 2

...re trial

...dent Mobutu Sese Seko said ...91 people, including 67 ...an officers will stand trial ...inshasa to-day, accused of ...ing to overthrow him.

...ain jails actors

...e actors and an actress were ...l for two years after being ...martialled in Barcelona on ...rge of insulting the Spanish ...d Forces. They had pre...d a play about the execu...of a Pole accused of killing ...iceman. Page 2

...cklace snatch

...well-dressed gunmen held ...rs. Alyce Kaiser, widow of ...althy industrialist, in New ...and escaped with her ...000 diamond necklace as ...eturned home from a birth... party for Elizabeth Taylor.

...ga battle

...e fighting is going on round ...o, a Somali guerilla leader ...admitted. It appears likely ...this town in the Ogaden, ...six months ago by the ...lis, has been recaptured by ...Ethiopians in their new ...ter-offensive.

...efly

...Prime Minister's twice... ...ly question time in the Com... ...will be broadcast live on ...o 4 on Tuesdays and Thurs... ...after the Easter recess.

...lan Marre, former Ombuds... has been appointed by the ...rnment to undertake a ...w of about 30 cases of ...g people claiming to be dis... ...d by Thalidomide.

...raceptive pill for men is to ...by 30 volunteers in London.

...o House, the 18th-century ...e of Lord Aberdeen, has been ...ht for the nation for ...,000.

...anian President Julius ...ere's son has been expelled ...Dar-es-Salaam University ...an illegal protest march.

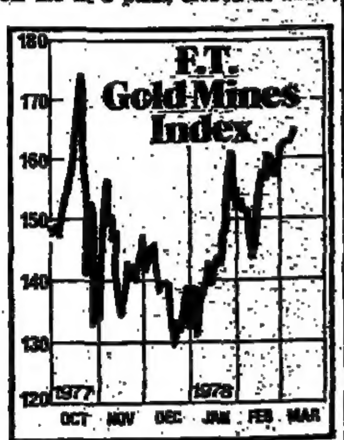
...arm certificate fees are to ...p on April 1.

BUSINESS

Equities and gilts advance; gold up

● GILTS improved in inter-office trade after the official close as markets responded favourably to the latest banking figures. The FT Government Securities Index registered a rise of 0.09 to 74.89.

● EQUITIES also made late gains. The FT 30-Share Index, off 1.3 at 3 p.m., closed at 444.1,



up 1.3 on the day. Gold Mines went ahead, the index gaining 1.8 to 165.0.

● STERLING gained 5 points against the dollar to $1.9375, but its trade-weighted index fell to 65.1 (65.2). The dollar's trade-weighted depreciation widened to 5.47 (5.41) per cent. Swiss consider further measures affecting foreign exchange trading, Page 2. Yen rise increases chances of Japan bank rate cut Page 4

● GOLD rose $2 to $186.875, the highest closing level since December 1974.

● WALL STREET was up 2.26 at 744.98 near the close.

● U.S. TREASURY Bill rates at the latest auction: threes 6.349 (6.429), sixes 6.676 (6.709) per cent.

● JAPAN is considering setting up a company to buy the European Airbus and possibly other aircraft and to lease them to South-East Asian airlines. Page 5

British Steel to raise prices

● BRITISH STEEL plans to raise prices of some products by up to 12 per cent. during the next three months. Back Page

● FORD will lay off 850 workers at its Basildon tractor factory for two days before Easter. Massey Ferguson recently announced lay-offs at its tractor plants. Back Page.

● GOODYEAR Tyre and Rubber is to cut the workforce at its Wolverhampton plant by up to 400. Page 6

● FISONS is making senior management changes in a bid to boost its U.S. sales. Page 7

● CLOTHING industry has been urged to step up its *exports*. Page 7

● WYTCH FARM oilfield in Dorset is expected to produce oil worth at least £80m. a year over the next 20 years. Page 6

● MANAGERS have called on the Government to include them in consultations about national economic measures. Page 6

● DE BEERS, reporting an increase in profits, *warned* against excessive speculative trading in diamonds. Back and Page 28

● LONDON OPTIONS market is expected to deal in options in shares of ten U.K. companies. Back Page

● AUSTRALIAN stock exchanges have proposed changes in the rules governing company takeovers. Page 31

COMPANIES

● UNILEVER pre-tax profit fell 10 per cent. to £550.6m. last year. Page 25 and Lex

● BSR made lower pre-tax profit of £20.34m. (£28.65m.) in the year to January 7. Page 25

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...equer 3pc 1983...	£93	+ ½
...d. Dairies	248	+ 6
... (A.)	204	+ 4
...vay	84	+ 4
...y (J.)	195	+ 4
...s (Godfrey)	78	+ 3
...l and General	156	+ 4
...ds Bank	256	+ 5
...ercare	158	+ 6
... Carbonising	47	+ 3
...ident Financial	89	+ 3
Sandhurst Marketing	28	+ 3
Cons. Plants	107	+ 3
Beralt Tin	55	+ 4
De Beers Dfd.	322	+ 11
Free State Geduld	£17½	+ 1½
Gold Fields SA	£13¼	+ ½
Randfontein Ests.	£35½	+ ½
Welkom	297	+ 17
Western Holdings	£18½	+ ½
Winkelhaak	745	+ 20

FALLS

Fisons	340	− 11
Oil Exploration	182	− 10
Falcon Mines	195	− 15
Rhodesian Crp.	20	− 3

Rhodesian border conflict worsens with Zambesi raid

BY MICHAEL HOLMAN, LUSAKA, March 7

Rhodesian forces to-day launched what a Zambian Government spokesman called "an unprovoked and indiscriminate attack using jets, helicopters and ground troops" across the Zambesi river.

The attack appears to be a major intensification of the Rhodesian conflict. Zambia later claimed to have shot down six Rhodesian aircraft while fighting continued with wounded Zambian soldiers being airlifted to hospitals in Lusaka.

Government troops "are containing the situation," said the Zambian spokesman, but gave no further details.

The attack comes at a sensitive time—less than a week after the signing of Rhodesia's internal settlement now under heavy attack at the UN Security Council.

It took place near the eastern border town of Feria in the Luangwa valley. The thickly-wooded valley is 120 miles east of Lusaka and Feria stands at the tip of the triangle of Zambian territory, bordered by Rhodesia and Mozambique. Last September, the Zambian Government accused Rhodesia of a napalm attack near the town.

Assessing the state of the war on the border is difficult. The Zambian Government provides neither opportunities for foreign journalists to visit the border area and scenes of clashes, nor briefings from military or Ministry of Defence personnel.

This latest development adds to speculation that the Rhodesian Government has decided that Mr. Joshua Nkomo, leader of the Zimbabwe African People's Union, will not be party to the internal agreement, and, therefore, wishes to carry out a series of pre-emptive strikes at Zapu camps, before Mr. Nkomo mobilises his *6,000-to-8,000-strong* army, of whom only 500 are thought to be inside Rhodesia.

The bulk of the army is based in Zambia — where there are thought to be about 12 transit, forward, and training camps — and in Angola, where Zapu cadres are trained under Cuban supervision.

Nationalists confirm that Mr. Nkomo has been negotiating a transfer of part of his army to *Mozambique, which would* infiltrate Rhodesia, along with forces of Robert Mugabe's Zimbabwe African National Union (ZANU), which has some 4,000 men already inside Rhodesia and 8,000 to 10,000 in training in Mozambique.

The attack — particularly if it is confirmed that it has taken place on this scale — will re-inforce the deeply pessimistic mood among Zambian Government officials. They have already warned of the inevitability of Russian and Cuban involvement should the Rhodesian war intensify and the West continue to offer qualified support of the agreement reached in Salisbury last week betwen Mr. Smith, the Rhodesian Prime Minister and internally-based black leaders.

Officials of Zapu maintain there is not a guerilla camp near Feria, nor, they say, are their Zapu guerillas involved in the fighting. Yet, observers here say it *would* be surprising *if* the

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Cubans in Africa Page 4

Israeli Defence Minister threatens to end visit

BY DAVID LENNON TEL AVIV, March 7.

MR. EZER WEIZMAN, Israeli Minister of Defence, has threatened to end his visit to the U.S. and possibly resign from the Government if work is renewed on building two Israeli settlements on the West Bank of the Jordan.

He sent a message to this effect to Jerusalem yesterday from New York, where he had heard reports that the Government was considering rescinding his orders to freeze all settlement activity until after Mr. Menahem Begin, the Prime Minister, visits Washington next week.

This is only the latest public expression of the sharp rift in the Cabinet on the settlement issue.

Mr. Weizman opposes settlement activity in the occupied areas while peace negotiations are in progress. Last week he ordered the Army to prevent creation of a new settlement in Sinai. At the week-end he issued similar orders on two settlements projected on the West Bank.

His decision further illustrates his firm resolve to prevent the pro-settlement lobby in the Cabinet from "creating facts" in his absence.

Last week he persuaded the Prime Minister to back his decision to stop settlers building a village in Sinai, in spite of the protests of Mr. Ariel Sharon, the Agriculture Minister, who follows a policy of "settle now, justify later."

Angry campaign

The *two* West Bank settlements, at Nebi Salah and Beit El, are projects of the quasi-messianic Gush Emunim group. The Defence Minister's ban on these settlements has aroused the settlers' anger, and they have launched a campaign of protest against the Government.

To-morrow they plan a demonstration outside the Prime Minister's office in Jerusalem, and later may try to set up *unauthorised settlements.*

It was apparently Mr. Weizman's fears that Mr. Begin might waver in the face of this protest that led him to issue his ultimatum.

A *senior American official said* in Jerusalem that Israel must take concrete and difficult decisions in the coming weeks on the Palestinian issue and on withdrawal from the West Bank and the Gaza Strip.

When Mr. Begin visited Washington next week the Americans would make clear to him what they believed needed to be done to keep the peace process going.

According to the official, the Middle East peace shuttle of Mr. Alfred Atherton, U.S. Assistant Secretary of State, which ends to-day, succeeded in narrowing and sharpening the differences between Israel and Egypt.

The central difference is over formulation of the Palestinian principle in the declaration of principles for a Middle Eastern settlement.

The official said Israel's new position that U.N. Resolution 242 does not call for Israeli withdrawal *on the West Bank has* affected the negotiating atmosphere. He stressed that the U.S. has always held that Resolution 242 does call for withdrawal, on all fronts.

More Middle East News Page 4

Bird's Eye to shut Kirkby plant

BY RHYS DAVID

BIRD'S EYE, part of the Unilever Group, is to close its Kirkby plant in Liverpool, with the loss of about 1,200 jobs. It is the second major company to pull out of Merseyside within the past four weeks because of labour problems.

The plant, which makes meat pies, has been at a standstill for 14 weeks because of a dispute involving 110 maintenance workers. The company warned of closure in January if the strike lasted more than 12 weeks.

British Leyland announced last month that it was closing its Speke plant, with the loss of more than 1,000 jobs. The move again came after a prolonged dispute had halted production.

Bird's Eye said yesterday that the decision had been taken by the Board on Monday. It was decided that it was no longer feasible for the company to keep the plant open.

Bird's Eye had already announced that 450 jobs would be axed, after a decision not to implement a £6.5m. investment plan because of the strike.

Talks on these redundancies had been held with the unions and a meeting was also called under the auspices of the Advisory Conciliation and Arbitration Service last week to resolve the maintenance men's dispute.

A company offer was rejected by the unions as unacceptable.

A total of 300 staff and management are also employed at the factory apart from the 1,200 hourly-paid workers now dismissed, but no announcement has been made on their future.

Local union leaders were too surprised last night to comment about the closure decision. But Mr. Robert Kilroy-Silk, Labour MP for Ormskirk, called for an immediate halt to all Government aid to Unilever.

Mr. Kenneth Webb, chairman of Bird's Eye, wrote in a company newspaper in January that the Kirkby plant had the worst record of any Bird's Eye factory and described the workforce as acting like lemmings.

The closure decision comes when unemployment on Merseyside is nearing 90,000—more than 10 per cent. of the total labour force—with Kirkby one of the worst affected areas.

Growth of money supply reduced

BY MICHAEL BLANDEN

THE GROWTH of the money supply slackened last month but remained well above the Government's target levels.

The banking figures published yesterday indicate that the sterling money supply on the wider definition (M3), which is the main measure used in official monetary controls, rose by substantially less than the 2.3 per cent. increase recorded in January.

At the same time, the London clearing bank figures suggest that there may have been a recovery in lending to manufacturing industry while personal customers cut their borrowing for the first time in recent months.

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Bank clearing tables Pages 32 and 33. Lex Back Page

The main pointer to the money supply is given by the Bank of England statistics of the total eligible liabilities of the banking system. These are the main deposit funds of the banks, and an important component of money supply.

Eligible liabilities rose by around 1.4 per cent. in the four-week period to mid-February, after a jump of nearly 2 per cent. in the previous month.

This outcome suggests that the growth of money supply so *far this year has remained* substantially higher than the top end of the official target range of 9 to 13 per cent. for the year ending in mid-April, but has started to come down from the exceptional growth rate experienced in the previous month.

In the nine months to mid-January sterling M3 had already risen by nearly 11 per cent.—equivalent to an annual rate of around 14¾ per cent.—leaving *only 2 per cent.* further expansion within the target for the remaining three months of the year.

The gilt-edged market, which had been influenced by predictions of a substantially bigger rise, reacted favourably in late dealings yesterday.

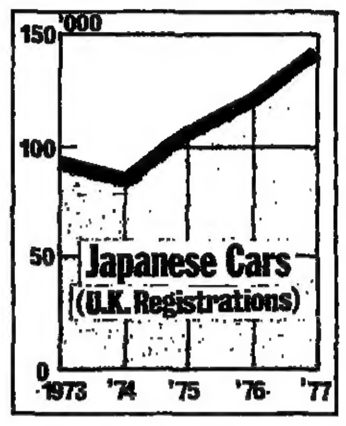
The growth of eligible liabilities, affected by exceptional movements in the banks' money market assets, may slightly exaggerate the growth of money supply during the month. This is in any case subject to a number of adjustments, including particularly for seasonal factors, compared with the banking figures.

The clearing banks showed that their sterling lending to the U.K. private sector rose £244m. during the month, indicating an underlying increase after seasonal adjustments of perhaps around £150m. Most of the rise was in the manufacturing sector.

Japan pegs car exports to Britain

BY STUART ALEXANDER

JAPAN HAS agreed to restrict shipments of cars to the U.K. in 1978 to the same level as last year. The agreement is for a year initially but is expected to be renegotiated for 1979 by representatives of the two countries' motor industries. The undertaking by the Japanese *Government* is the first it has given in the growing dispute over car sales.



The number of cars sent to Britain this year will be no greater than last year and a similar arrangement has been made *for light commercial* vehicles. No heavy lorries will be shipped direct to the U.K.

Mr. Edmund Dell, Trade Secretary, told the Commons yesterday that the Japanese Ministry of International Trade and Industry was to give strong administrative guidance to the Japanese vehicle industry.

A letter delivered by the Japanese Ministry to the British embassy in Tokyo said this should lead to a natural decline in the Japanese share of the U.K. car market "assuming the market grows in accordance with the forecast given by the [U.K.] Society of Motor Manufacturers and Traders to the Japanese *Automobile Motor* Association."

There will be no attempt now to impose formal restrictions on Japanese car imports, unless the agreement is ignored, and the Government feels this will give the U.K. industry a chance to improve its performance.

"I very much hope that British manufacturers, particularly British Leyland, will be able to take advantage of the greater degree of certainty which I believe these assurances give them." Mr. Dell said.

It is thought, however, that if strikes or poor productivity in the U.K. industry lead to a shortage of cars then the Japanese would be allowed to compete.

In its letter, the Japanese Ministry said it was prepared to give the guidances "fully recognising the special circumstances of the British industry and sincerely hoping for the early and successful revitalisation of the British industry."

British Leyland, which has been pressing for some sort of controls for some time, said last night it was pleased with the assurances but added that, while its own stocks were high, so too were those of the Japanese.

Department of Trade estimates put Japanese stocks at between 40,000 and 50,000—about four months' supply.

Last year, 140,410 Japanese cars were registered in the U.K. for a 10.61 per cent. share of the market. The Government would like to see that drop below 10 per cent.

This year, the total U.K. market is expected to expand from 1.3m. to 1.45m. cars and demand has been strong in the first two months.

Sales of Japanese cars have been high—about 13 per cent. of the market—but this can be evened out.

If the market should turn down later in the year, then there are provisions in the agreement with the Japanese Government for some further restraint with shipments and sales being monitored.

The Government clearly is *relieved at not having to impose* restrictions—although the option remains open—and sees the agreement as part of the strategy for reducing the imbalance of visible trade with Japan. However, cars account for only 20 per cent. of the imports from Japan and the estimated overall trade deficit of £350m.

Last night, Mr. Doug Hoyle, president of the Association of Supervisory, Technical and *Managerial Staffs, and* Labour MP for Nelson and Colne, said the assurances were vague, weak and woolly.

Dealers in Japanese cars were upset and the Datsun Dealers' Association has placed advertisements in national newspapers this morning explaining its position.

They claim they are the victims of unilateral discrimination and point out that the cost of all Japanese cars brought into Britain accounts for only 0.7 per cent. of the total U.K. import bill.

Mr. John Ebenezer, managing director of Mazda Car Imports, said an inevitable consequence would be a rise in the level of imports of European cars. He was doubtful if it would give Leyland any breathing space.

Most Japanese car dealers are expected to review their pricing policies in the light of the agreement. *With volume limited and* the scope for growth removed they will want to see profit maximised and this probably will lead to reduced discounting.

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CONTENTS OF TO-DAY'S ISSUE

EEC Ministers settle French farm price row

BY MARGARET VAN HATTEM BRUSSELS, March 7.

EUROPEAN AGRICULTURE Ministers to-day resolved the dispute over French farm prices with a package of compromise measures which, while giving little away, will enable the French Government to claim a small pre-election triumph for its rural voters.

After 12 hours of negotiation, Ministers decided at 3 a.m. to permit a 1.2 per cent. devaluation of the Green franc and, for the three weeks preceding the French general election, to lengthen the period on which changes in monetary compensatory amounts (MCAs) are based.

The MCAs, which tax exporters and subsidise importers to compensate for the difference between the foreign exchange value of the franc and the overvalued Green franc used to translate EEC common farm prices into national currency, are normally fixed each week on the basis of the preceding week's foreign exchange movements.

For the next three weeks they will continue to be adjusted weekly, but on the basis of the preceding three weeks' movements, ironing out the impact of erratic currency fluctuations.

This will apply to all EEC members but is of particular importance to the French, who had demanded a freeze on MCAs on the grounds that the current pressure on the franc is due to political factors, and that agricultural producers ought to be protected.

Britain will be ready to fix an exact date for direct elections to the European Parliament when EEC Heads of Government meet in Copenhagen on April 7 and 8, Dr. David Owen, the British Foreign Secretary, said yesterday, writes Guy de Jonquieres in Brussels.

Though the French did not immediately accept the compromise, reserving their judgment for several hours, it is generally felt that they have scored a few small points. Since they were already hoping to devalue the Green franc by a further 2.5 per cent. during next month's farm price review, an immediate 1.2 per cent. devaluation is unlikely to cause them much inconvenience.

The temporary change in MCA calculation, since it applies to all EEC members, will have only minimal impact but should slow the drop in French farmers' incomes at least until after the election.

The French were also demanding increased protection for pig farmers. But Mr. Pierre Mehaignerie, the French Agriculture Minister, appears to have been satisfied by a promise from Mr. Finn Olav Gundelach, the Agriculture Commissioner, to reactivate proposals which would reduce the MCAS on pigmeat.

Mr. Gundelach also pointed out that in resisting the EEC Commission's MCA changes announced last Friday, the French were in fact acting quite legally. Due to a printer's strike which delayed publication of the changes, Italy and the U.K., which had implemented their changes, were technically violating the rules.

No agreement on nuclear issue

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT BRUSSELS, March 7.

IN THE FACE of strong reservations by France, EEC Foreign Ministers in nuclear discussions failed to-day to agree on how to respond to U.S. demands that they commit themselves to opening negotiations on a revision of the U.S.-Euratom Treaty.

The U.S. nuclear Non-Proliferation Act, which was sent to the White House by Congress last month, calls on the Community to signal its willingness to negotiate within 30 days after the Bill is signed by President Carter or to face automatic suspension of U.S. licences for the export of enriched and highly enriched uranium.

Mr. Carter is due to sign the Bill this week. Its most significant feature from the EEC's point of view is that it seeks tighter safeguards over the use of nuclear fuels exported by the U.S., notably in its provisions for consultation in advance of reprocessing by EEC countries of U.S.-enriched uranium.

EEC Foreign Ministers were urged to-day to comply with the U.S. demands by Dr. Guido Brunner, the EEC Energy Commissioner. He pointed out that, by accepting the principle of negotiations, the EEC would not be committing itself to any firm date for opening or completing the talks.

He said that the U.S. law allowed two years for the negotiations to take place but that this deadline could be extended indefinitely on a year-by-year basis.

Failure by the EEC to meet the U.S. demand could mean that enriched uranium supplies from the U.S. would run out within a matter of weeks.

The French Government contended, however, that the U.S. was violating agreements reached between the major Western economic powers and Japan last year that nuclear fuel supply arrangements would remain unchanged until after the International Nuclear Fuel Cycle Evaluation study—set up by President Carter last autumn—had been completed, in about 18 months time.

Most other EEC Governments appear ready to comply with the U.S. demands, albeit without any great enthusiasm, though Dr. David Owen, the British Foreign Secretary suggested that it could be useful for the EEC to take legal advice on the compatability of the U.S. legislation with international law.

The prevailing view here is that France has deliberately hardened its attitude in advance of this month's elections. However, it is hoped that once the election is over, the absence of any strong support from its EEC partners will lead it to drop its opposition.

Catalan actors sent to prison

BY DAVID GARDNER BARCELONA, March 7.

THE four members of the Catalan theatre group, Els Joglars, court martialled for insult to the armed forces, have each been jailed for two years. The sentences have still to be ratified by the military authorities of the Catalan region.

Confrontation between riot police and protesters calling for freedom of expression continued to-day following the hospitalisation of two demonstrators yesterday when police entered Barcelona's university for the first time in three years.

Possible successor to Honecker killed in air crash

BY LESLIE COLITT BERLIN, March

HERR WERNER LAMBERZ, an East German Politburo member considered to be among the most likely successors to Communist Party leader Erich Honecker, has died in a helicopter crash in Libya. Another prominent East German party official, Herr Paul Markowski, was among the 11 killed.

Herr Lamberz, who was 48, was one of the youngest members of the 19-man Politburo, whose average age is 62. He was the Central Committee secretary for "agitation" and was playing an increasingly prominent role as Herr Honecker's confidant and special ambassador abroad.

Herr Lamberz was recently in Addis Ababa for talks with the leadership there on East German assistance for Ethiopia in its war with Somalia. He was playing an important role as a roving ambassador in Africa and the Middle East, with the express approval of the Soviet Union. He was in Libya for talks with Col. Gaddafy.

Like Herr Honecker, Herr Lamberz came up through the ranks of the East German youth organisation, which is known as the "personnel forge" of the East German leadership. He was one of the few East Germans in a position of power who was able to talk with relaxed selfconfidence to Western newsmen. Some East German functionaries, however, regarded him as being too aloof in his approach to party affairs: this was also said about Herr Honecker before the Soviet Union designated him in 1971 to succeed the late Herr Walter Ulbricht, who was then offering opposition to the conclusio[n of] the Four Power agreement [on] Berlin.

Herr Lamberz's seat in [the] Politburo will be filled by [one of] the ten candidates for the German party's highest bod[y] whom two are women. [Until] now, no woman has had a [seat] in the East German Polit[buro] just as there are no wome[n in] the Soviet Politburo.

German print lock-outs called off

By Adrian Dicks

BONN, March 7.

MANY West German newspapers were expected to-day to resume normal publication on Wednesday, for the first time in a week, after the national employers' federations called off the limited lock-outs imposed as a counter-measure to widespread printers' stoppages.

The resumption was, however, seen as a pause in the dispute over the introduction of new printing technology, rather than a move in the direction of peace.

The printers' union, IG-Druck und Papier, announced that it would maintain strikes called ten days ago in Munich, Duesseldorf, Kassel and Wuppertal, and said that it would hold further ballots in other printing plants, implying that more strikes might be called. A ballot was being held to-day at the Hamburg plant producing North German editions of several of Herr Axel Springer's newspapers.

At a meeting of striking printers in Stuttgart, Herr Detlef Hensche, a member of the IG-Druck national executive, cast doubt on the union's willingness to accept the mediation of Herr Josef Stingl, the head of the Federal Labour Office. He objected that Herr Stingl's name had been mentioned as "a deliberate indiscretion" by the employers' organisations, with the real intention of making peace talks harder.

Meanwhile in the engineering and metal fabricating industries, strike ballots were getting under way to-day in North Rhine-Westphalia, the largest of the wage-bargaining regions, and in North Wuerttemberg-North Baden, the second most important. It was widely assumed here to-day that the union, Ig-Metall, would secure the three-quarters majority it needs from the rank and file membership in order to be able to call strikes.

Swiss Bank to consider new exchange rules

BY JOHN WICKS ZURICH, March 7.

THE INTRODUCTION of further measures affecting foreign exchange trading is being considered by the Swiss National Bank. Any new steps of this kind would be aimed primarily at providing a clearer view of market activity and allowing the Central Bank to act more quickly and effectively in the case of marked fluctuations in exchange rates and particularly hectic trading conditions.

On Sunday evening, Dr. Fritz Leutwiler, National Bank president, had said the monetary authority had not "shot its bolt" in the battle against excessively high Swiss-franc parities. He stressed that there would and could be no splitting of the exchange rate but indicated there was still room for action in the currency market itself.

Although Dr. Leutwiler had criticised what he said were sometimes astronomic turnover volumes in foreign exchange trading, a National Bank spokesman to-day said that it was not intended to introduce a ceiling on turnover. While he was unable to specify what other measures might be looked at, other sources indicate that these could include such moves as: lowering the minimum sum (currently Sw.Frs.5m.) for individual deals which have to be reported to the National Bank: or daily reporting of banks' foreign currency positions, instead of weekly.

The National Bank's own power of intervention on the foreign exchange market was increased at the same time as the recent reintroduction of a ban on sales to non-resident foreigners of Swiss domestic securities. It was then permitted to enter into forward contracts of up to 24 months, instead of the former period of three months, thus enabling longer-term intervention activity. In 1977 the Swiss National Bank had carried out total foreign currency interventions of Sw.Frs.15.55bn.

Swiss stock prices slumped across the board yesterday as sellers dominated trading, forcing the highest level of activity and cut in prices since the Swiss authorities barred non-resident foreigners from this and other securities markets.

U.K. talks on NZ lamb

BY CHRISTOPHER PARKES

MR. JAMES CALLAGHAN, the British Prime Minister, has agreed to meet Mr. Brian Talboys, the New Zealand Deputy Prime Minister at Downing Street on Thursday. Mr. Talboys is in Europe seeking assurances "at the highest level" that New Zealand's lamb export trade will not be damaged by new Common Market regulations.

Last year, New Zealand sent £270m. worth of mutton and lamb to Britain with supplies covering 53 per cent. of U.K. consumption of lamb. Almost 70 per cent. of NZ lamb production is sold in Britain.

The Minister, who has special responsibilities for overseas trade, was expected in London from Brussels last night.

Earlier this week he saw Mr. Finn Gundelach, the EEC Agriculture Commissioner, who could offer nothing more heartening than a promise that it was not the intention of the Commission to hamper New Zealand's trade. He stressed that the final form of the Community's lamb marketing regime would be settled by the Council of Ministers.

Andreotti ends economic consultations

By Paul Betts

ROME, March 7.

ON THE eve of the political party summit meeting expected to give the formal go-ahead for the formation of a new Christian Democrat minority Government supported in Parliament by the Communist Party, the Premier-designate, Sig Giulio Andreotti, concluded his consultations to-day on his economic programme with the national employers organisation, Confindustria.

Sig. Guido Carli, the Confindustria chairman and former Governor of the Bank of Italy, said after his talks with Sig. Andreotti that the employers had urged the Premier-designate to consider measures to reduce Italian labour costs, encourage labour mobility and combat youth unemployment.

He said that his organisation strongly favoured the adoption of a social contract along British lines, with a temporary freeze on salaries.

The Italian union movement has indicated its willingness to moderate wage claims in exchange for new investments, particularly in the depressed South. However, after talks with Sig. Andreotti last night it reserved judgment on the new Government's programme until it was formally approved in Parliament.

The employers to-day advocated the highest possible growth rate to sustain the economy without endangering the country's balance of payments. To this effect, Sig. Carli suggested that investments in the industrial north of the country should be directed towards increasing productivity in existing plants, while in the south the policy should aim at promotng new job-creating investments.

Sig. Carli expressed concern over a possible drop in domestic capital expansion and a consequent reduction in overall credit to private industry.

Holland party admits tax moves by MPs

By Charles Batchelor

AMSTERDAM, March

FIVE DUTCH politicians or [mem]bers of their families took [out] insurance policies involving [ ] tax benefits during the prev[ious] Government's period of o[ffice]. The politicians were all mem[bers] of the Christian Democ[ratic] Party, the party said in a s[tate]ment to-day. The Chri[stian] Democrats are the senior [part]ner in the present Govern[ment] and were the junior membe[r in] the previous administration.

An independent three-me[mber] commission is now investig[ating] a claim by senior tax inspe[ctors] that MPs and members of [the] previous Government took [out] "single premium" policies [ ] before Parliament moved to [re]duce the tax advantage in [ ]. The tax inspectors say the [pur]chase of the policies was [im]proper although not illegal. [The] commission is expected to [re]port is findings in the next [ ] weeks.

New Defence Minister named

By Our Own Correspondent

AMSTERDAM, March

HOLLAND to-day named [Mr.] Willem Scholten, a membe[r of] the privy council, as Def[ence] Minister. He takes over f[rom] Dr. Roelof Kruisinga who [re]signed on Saturday because [of] disagreement with Governm[ent] policy on the Neutron bomb.

Mr. Scholten, aged 50, i[s a] former state secretary at [the] Finance Ministry

Budget deficit

AMSTERDAM, March

HOLLAND now expects to h[ave] a 1977 Budget deficit of Fls.7.[ ] (£1.79bn.), Fls.0.2bn. lower t[han] its estimate last September [and] only half of the record Fls.14.[ ] forecast in its Budget me[mo]randum.

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THE FRENCH LEFT'S NATIONALISATION PLANS

A giant leap into the unknown

BY DAVID CURRY IN PARIS

Y THIS time next year France uld have, or be on its way to ving, one of the biggest public ctors in the non-Communist orld. Although the Communists d Socialists have quarrelled in ectacular fashion about the tent of their nationalisation ans, the treatment of minority terests and, to a lesser extent, e system of compensation, they e each committed to a signific- t extension of state ownership f finance and industry should ey win next week's general lection.

On the nationalisation of bank- g, insurance and the credit dustry there is little vergence. The state already ntrols banking interest repre- enting 40 per cent. of deposits nd if the trustee and popular vings banks are added to this, hich in practice they must be, ontrol extends to 80 per cent.

More than a third of insurance remiums are collected already y state-owned companies, and, nce again, addition of the o-operative sector pushes the tate's control towards 60 per ent.

The takeover of the remaining rivate sector institutions, notably Credit Commercial de France, Credit Industriel et Commercial, the Suez and Paribas groups would make the bulk of industrial investment dependent on the state for its finance (apart from what can be found by way of cash-flow and the tiny amounts from raising new capital).

It would also drop into the state's lap a number of companies which are effectively controlled by the banks—companies whose names do not officially appear on the nationalisation list. Thus, the public works contractor Bouygues, the Lafarge cement group and Europe's biggest publishing house, Hachette, would become effectively subservient to the state.

But, as the table shows, the left also had its disputed list of *nine industrial groups* for nationalisation. Depending on how far it goes in buying out minority interests, the number of companies affected ranges from the Communist estimate of just over 700 to the Socialist tally of some 227.

A number of analysts have tried to calculate the impact of additional nationalisation. Three senior Finance Ministry officials, writing under pseudonym Christian names Stoffaes and Jacques Victorri, claim that the addition of the credit sector and the industrial groups would *make the state responsible* for 25 per cent. of industrial employment against 11 per cent. now, for 40 per cent. of French industrial exports and 50 per cent. of investment.

A different analysis which focusses on those companies incidentally drawn into the state's orbit as a result of the nationalisation of credit institutions argues that the proportion of industrial production owned by the *state would rise from* the present quarter to around 45 per cent. The state would also end up owning on average around 52 per cent. of the capital of the country's leading 500 concerns.

To round-off the statistical skirmishing a study assesses the state sector in terms of proportion of added value. This puts the size of the French existing public sector at 11 per cent. compared with 14 per cent. in Austria, 12 per cent. in Italy and Sweden, 10 per cent. in Holland and Britain and 7 per cent. in Germany. The new nationalisations would raise the French figure to 18 per cent. This would bring almost a third of the *workers in industry on to* the state payroll.

Before examining the quarrel within the left over nationalisation the whole debate must be put into perspective. In fighting the left's proposals the majority *face* one big psychological handicap: the biggest nationaliser in French history was the late General de Gaulle. He gathered essential services and functions into the state's hands immediately after the war to act as locomotives for France's industrial recovery. Thus, the three big state-owned banks, Banque Nationale de Paris, Credit Lyonnais and Societe Generale, owe their status to de Gaulle. The *main utilities* were also taken over and, in retaliation for his alleged wartime collaboration, Louis Renault was deprived of his motor empire.

A second important point is that nationalisation has crept forward throughout the Fifth Republic. This has not been by outright *take-over* authorised by parliament, but by the use of state-owned companies as pivots *for industrial regrouping and as* instruments to rescue private concerns which might otherwise fall into foreign hands.

Renault's absorption of the Michelin tyre/Citroen car heavy vehicle subsidiary Berliet, the expansion in the field of fertilisers of the state-owned coal industry subsidiary CDF-Chimie, the introduction of ELF-Aquitaine, the state-owned oil group, into the capital of the protein *manufacturer* Rousselot to keep out British Petroleum, are examples of such creeping nationalisation.

Even M. Raymond Barre, the Prime Minister, an impeccable free enterprise man, last year announced the government's intention to take a blocking minority stake in the capital of the country's main defence contractor Dassault-Breguet, the manufacturer of the Mirage aircraft.

Government in France has always intervened directly in industry in the interests of creating sectors of international dimensions. The re-organisation of the telecommunications sector around Thomson-CSF, CIT-Alcatel and ITT was done at the behest of the industry ministry, as was the complex *redistribution of assets in* the nuclear industry to make Creusot-Loire the technological *master-company for France's* nuclear construction programme. The state's interests here are directly represented by the CEA, the equivalent of Britain's Atomic Energy Authority which has an important stake in the capital of strategic joint ventures, including Framatome and Novatome.

Thus, the battle is not between private enterprise and public control. It is between a form of compromised capitalism operating alongside a strong state sector and between an economic system formally controlled in essentials by the state.

Inevitably, the prospect of further nationalisations has led to attempts to compare the profitability of the existing private and public sectors. In practice it is almost impossible to establish an acceptable basis *of comparison.*

It is difficult to make clear distinctions between private and public sectors. After all, it was the state which pushed Citroen into Peugeot's arms (and provided the dowry) as well as consigning Berliet to Renault. To take another example, the state-owned aerospace company Aerospatiale could hardly survive without the subcontracting it does for the private enterprise Dassault.

For the record the direct subsidy to state industry in 1977 was around Frs.30bn. Of this around *half was to the state railways,* not least for a pension fund which pays out to 420,000 pensioners although present work-force is only 264,000. Charbonnages de France, Aerospatiale and Air France are other recipients. However, to balance the picture the private sector benefits from heavy official funding, particularly in the *defence area,* and the two giants of the public sector, the post office (which invested Frs.26.7bn. last year) and Electricite de France (which will invest Frs.120bn. on nuclear power up to 1985) are the life-*blood* of many a private company. Where exactly does the left stand on nationalisation? *There are three basic issues:*

● The length of the list. The Communists would like to add steel, Peugeot-Citroen and the oil industry (the state already has 70 per cent. of Elf and 35 per cent. of CFP-Total) to the list. The Socialists have refused but there is room for manoeuvre in that the *original* common programme—specifically gives a government of the left the option of taking financial stakes "which may go as far as majority holdings" in steel, oil, air and sea transport, motorway concessions, water treatment and distribution and the financing of telecommunications.

● *The width of the list.* The communists claim that the minority shareholders should be bought out in all subsidiaries of the nine parent companise where the parent company stake exceeds 50 per cent. The Socialists will allow buying out of minorities only where these are left with a tiny *percentage of shares and* are prepared to buy out minorities in certain "strategic" subsidiaries.

The argument might seem academic: after all, ownership of the parent brings control of its stakes in subsidiaries. The issue, however, touches an *essential difference in ideology* between the two parties: the socialists are interested in control, the Communists in ownership. Beyond this the socialists see the conflict between the mixed and the directed *economy.*

● The same question of control or ownership bedevils arguments *over compensation.* The Communists want the replacement of shares by bonds which will be redeemed over 20 years, leading to eventual complete ownership. The Socialists envisage replacing voting by non-voting stock permitting the shares to continue to be traded, continue to receive *dividends,* and avoiding the financial burden of purchase. Both sides accept the principle of expropriation of big capitalist holdings, but their take-over of the financial sector will, in many cases, already bring control of some of these stakes.

At the moment the two sides are sticking to these positions. The socialist-leaning union the CFDT has proposed a compromise which would lead to the buying out of minorities where the holding company stake was 66 per cent. or more and would also legislate to remove the powers invested in the present "blocking" minority, thus removing the Communist fear that minority shareholders could effectively frustrate the state's plans for a concern.

There is a fourth dispute: the original common programme says that the Government may decide to take a company into public ownership if its workers request it. The Socialists see this as opening the way to nationalisation *a la carte* (and at the prompting of the CGT communist-led union). The Communists, claiming that the provision was inserted by the Socialists in any case, say that it is only an option, not a *commitment.*

The tables spell out what the Left would get for its money or *its paper if the nationalisations* go ahead. Briefly it would get virtually the whole telecommunications sector (Thomson-Brandt/CSF, CGE and ITT) with substantial defence interests and a strong position in the household electrical goods; heavy engineering and public works contracting market; the defence establishment (together with the most un-strategic Dassault-owned glossy weekly Jours de France whose main preoccupation is royal weddings): a signficant addition to the State's strength in the chemical and fertiliser field (Rhone-Poulenc included) France's main metals and mining concern — Pechiney-Ugine-Kuhlmann—and one of its chief pharmaceutical and fine chemicals operations (Roussel-UCLAF),

AIN COMPANIES IN EXISTING STATE SECTOR

enault: Turnover of Frs.25.8bn. in 1976, employing 40,000. Profitability patchy, lorry sector disastrous, ut role as locomotive of industry all-important.

lectricite de France: Turnover of Frs.31.7bn. in 1976, mploying 100,000. Frs.120bn. to spend on nuclear ower in six years.

az de France: Turnover of Frs.93bn. in 1976, employing 7,000. Gas utility linked with EDF.

lf-Aquitaine: Turnover of Frs.37bn. in 1976, employing 3,000. Leading exploration oil company stronger in as than oil. Frs.1bn. refining losses in 1977.

harbonnages de France: Turnover of Frs.11.1bn. in 976, employing 50,000. Coal mining enterprise with rge chemicals, plastics and fertiliser subsidiaries.

erospatiale: Turnover of Frs.9bn. in 1976, employing 1,000. Helicopters and missiles healthy, aircraft sector ery sick.

NCF: Turnover of Frs.27bn. in 1976, employing 270,000. he national railway system which absorbs half of the otal *public sector direct subsidy. Cut-price road freight* ubsidiary.

ir France: Turnover of Frs.8bn. in 1976, employing 1,000. Frs.8bn. to invest in three years. Chronic overnment interference.

ost Office (PTT): Budget of Frs.59.4bn. in 1977, employing 420,000. Biggest investor in France: Frs.27bn. in 977.

THE INDUSTRIAL CANDIDATES FOR TAKEOVER

Saint-Gobain: Turnover of Frs.32bn. in 1977, employing *160,000.* Flat glass, *packaging. Half of sales but almost* all profit earned overseas. Black spot: paper.

Thomson-Brandt: Turnover of Frs.16.8bn. in 1976, employing 105,000. Electrical engineering, defence, aerospace, household electricals, medical equipment. A nucleus of the government-organised telecommunications industry.

Compagnie Generale d'Electricite: Turnover of Frs.27.6bn. *in 1976,* employing 171,000. Heavy electrical engineering, shipbuilding, public works contracting and telecommunication cables. Another key telecommunications company. Central position in power station engineering. Substantial financial holdings.

Roussel-UCLAF: *Turnover of Frs.3.27bn. in 1976,* employing 15,500. Fine chemicals, pharmaceuticals, animal products, cosmetics. Majority-owned by Hoechst of West Germany.

Rhone-Poulenc: Turnover of Frs.21.7bn. in 1976, employing 113,500. Heavy chemicals, pharmaceuticals, *textiles,* fertilisers. Recent expansion in fertilisers. Emergency *surgery in textiles.*

Pechiney Ugine Kuhlmann: Turnover of Frs.22.3bn. in 1977, employing 96,000. Metals, special steel, chemicals. Fragile recuperation. Emphasising overseas expansion and non-mining activities. World's fourth-largest aluminium producer.

Dassault-Breguet: Turnover of Frs.5.7bn. in 1977, employing 15,000. Aircraft manufacture. State to take over one-third stake. Frs.12.8bn. orders in 1977, 87 per cent. for export.

ITT: Turnover of Frs.3.9bn. in 1976, employing 22,000. Telecommunications, industrial and household electricals and components. The remaining telecommunications *nucleus, otherwise self-governing empire of medium-*sized concerns.

CII-Honeywell-Bull: Turnover of Frs.3.8bn. in 1977, employing 19,000. Computers, peripherals. France's latest attempt at a computer industry based on U.S. partnership. Frs.1.2bn. *four-year state subsidy.*

THE COMMUNIST "ADDITIONS"

Chiers-Chatillon: Turnover of Frs.3.46bn. in 1976, employing 14,000. The smallest of the steel groups. Consolidated 1976 loss of Frs.263m.

Denain Nord-Est Longwy: Turnover of Frs.19.6bn. in 1976, employing 82,000. *Controls Usinor,* Vallourec and half-stake in Fos Centre. Usinor lost Frs.4bn. in three years and workforce cut by 3,000.

Marine-Wendel: *Turnover of Frs.13bn. in 1976,* employing 56,000. Main Lorraine steelmaker. About 8,000 jobs shed. Complex restructuring in process. Losses similar to Usinor.

Schneider S.A.: Turnover of Frs.15.3bn. in 1976, employing 130,000. Steel, electrical, public building and, above all, nuclear group crucial to French energy development.

Peugeot-Citroen: Turnover of Frs.35bn. in 1976, employing 151,000. Leading car manufacturer. Frs.1.37bn. of consolidated profit in 1976. Government loans to take over Citroen repaid.

CFP-Total: Turnover of Frs.47bn. in 1976, employing 44,000. Thirty-five per cent. state-owned energy group. Refining losses said to threaten exploration programme.

OVERSEAS NEWS

Japan bank rate cut likely as yen rises

By Charles Smith

TOKYO, March 7

THE SHARP RISE in the yen's exchange rate against the dollar which occurred on Monday (when the yen appreciated nearly two points on the Tokyo foreign exchange market) has greatly increased the chances of an early cut in Japan's bank rate.

This was made clear to-day when Mr. Takeo Fukuda, the Prime Minister, told the Diet that the bank rate might be lowered at "an opportune time" to cope with further yen appreciation. The cut, from the current rate of 4.25 per cent. could be by 0.5 per cent. or even 0.75 per cent. It would be designed both to reduce the incentive for foreign investors to shift hot money into Japan and to counteract some of the unsettling effects of the yen appreciation on domestic business confidence.

The Government is showing extreme concern on this latter point, all the more so in that the economy had appeared to be gradually picking up during the two months or so of exchange rate stability which preceded the latest bout of yen appreciation.

Monday's flurry on the foreign exchange market has also produced hints from officials that a new round of foreign exchange controls designed to restrict hot money movements is being "studied." It seems unlikely, however, that Japan will invoke such controls as anything other than a last resort. Before doing so the Government will apparently appeal to the U.S. to show greater "responsibility" in its management of the dollar exchange rate.

The appeal will be made to Mr. Charles Schultze, the chairman of President Carter's Council of Economic Advisers, who is due in Tokyo shortly for consultations with his Japanese opposite number, Mr. Kiichi Miyazawa, the Director General of the Economic Planning Agency.

A third effect of the yen appreciation has been to renew the urgency behind government efforts to correct Japan's balance payments surplus, probably by means of an additional series of emergency import measures. Mr. Fukuda hopes to have a list of such measures ready in advance of his planned summit meeting with President Carter in May. The measures could include stepped-up imports of aircraft from the U.S. and (for the first time in Japan's recent history from Europe.

The yen had a quiet day on the Tokyo foreign exchange market to-day closing at $1 equals Y235.80, down 0.65 points from the previous day's close. Turnover on the spot market totalled $395m. compared with Monday's exceptionally heavy $825m

Civil rights strengthened in new China constitution

PEKING, March 7.

CHINA TO-DAY published a new constitution strengthening the rights of its citizens to speak out and increasing the powers of Parliament in relation to the Communist Party. The constitution, approved by the fifth National People's Congress on Sunday, replaces a document approved three years ago.

A striking feature of the latest document is that it is based largely on the 1954 constitution, China's first as a Communist state, and gives back to citizens many rights since dropped.

Several complete articles from the original constitution have been revived in the latest one, while a number of references have been dropped from the 1975 document. For instance, the right to defence in a trial is now restored and any person can lodge complaints against Government workers. The country's ethnic minorities are also given back their rights to "preserve or reform their own customs and ways."

Presenting the draft constitution last Wednesday, the Party Vice-Chairman Mr. Yeh Chien-Ying said that with the removal of the extremist "gang of four," China must "energetically revive and carry forward our democratic tradition and fight against any encroachments on the people's democratic life or violations of the rights of citizens.

"If we are to bring out great order across the land, we must have the rules for running it," Mr. Yeh said in his speech, also published to-day. The new constitution stresses that all power in China belongs to the people. However it deletes a reference in the 1975 document that workers, peasants and soldiers are the main body of this power.

The new constitution also appeared to strengthen the National People's Congress (NPC), the nation's parliament, describing the Congress as the highest organ of state power. This deleted the 1975 words "under the leadership of the Communist Party of China."

The role of the NPC was spelled out, including its restored ability to declare war, along with the functions of its chairman. Mr. Yeh was elected to this position on Sunday, making him virtually Head of State.

As in the 1975 document, citizens are given the right to freedom of speech, correspondence, the Press, assembly, association, procession, demonstration and the freedom to strike. But now they have the right to "speak out freely, air their views fully, hold great debates and write big-character posters."

The constitution restores the office of procurator—the man who decides if there is sufficient evidence for a prosecution—and says *only* he or a court can sanction an arrest, which must be made by a public security organ. These organs were themselves allowed to sanction arrests under the 1975 constitution.

The rights and interests of overseas Chinese continue to be protected, but the new document says this protection also now extends to relatives inside China. Mr. Yeh said the constitution put strict demands on State personnel, the most essential being that they maintain contact with the people.

"All well-meant criticism from the grass roots and masses should be warmly encouraged," Mr. Yeh added. "The people's right to expose evil-doers and bad deeds in State organs should be fully guaranteed."

On the other hand, he noted, the constitution now had an article requiring citizens to take care of and respect public property, observe labour discipline, keep public order, respect social ethics and safeguard State secrets.

"Acts of smashing and grabbing are strictly forbidden. Detention and arrests must follow legal procedures and the system of checking and approval must be strictly observed in this regard."

The role played by the late Chairman Mao Tse-Tung in modern China was noted in the preamble to the constitution and Mr. Yeh said it should give "comprehensive and accurate expression" to Mao's theories.
Reuter

Poll debacle splits Janata

BY K. K. SHARMA

NEW DELHI, March 7.

THE RULING Janata Party has been jolted by its failures in elections in the south of India and is now deeply split with factions within it blaming each other for the reverses. The main targets are Mr. Morarji Desai, the Prime Minister, and Mr. Chandra Shekhar the Janata Party President.

The attack on the Prime Minister is based on the view that the people are dillusioned by the Government's poor performance since it took office nearly a year ago, especially its failure to give primacy to rural development.

Mr. Desai's main critic is Mr. Charan Singh, the Home Minister, who used the opportunity of the Cabinet's discussion on the new "rolling plan" for development in the next five years for a bitter attack on the Prime Minister in his capacity as Chairman of the Planning Commission.

When the plan, which is to be discussed by the National Development Council on March 18 and 19, was presented to the Cabinet over the weekend, Mr. Charan Singh is understood to have demanded reasons for the failure to allocate the bulk of the proposed outlay of Rupees 700bn. (about £48bn.) in the public sector in the next five years to rural development.

He also challenged the basis for calculating the amount allotted to rural development and agriculture, since part of the investments in power, education and health are claimed to be part of these programmes.

The attack on Mr. Chandra Shekhar is mainly aimed at the choice of Janata candidates for the elections, most of whom are said to have been discredited Congress Party members belonging to the landlord class or those chosen by them.

The allegation is that Mr. Chandra Shekhar wanted to pack the party with Congressmen (he is also a former Congress member, although always a bitter opponent of Mrs. Gandhi) to counter the influence of other components of the Janata Party.

Meanwhile, the first "goodwill" delegation from China since the 1962 border war arrived here to-day for a fortnight's visit. It comes shortly after the visit of a Chinese trade team which set the basis for a steady increase in trade between the two countries.

Japanese investment shift likely

BY DOUGLAS RAMSEY

TOKYO, March 7.

THE Japan Development Bank predicts in a recent study that equipment investment in the country's manufacturing industry will drop by nearly 7 per cent. in fiscal 1978 for the fourth consecutive year. In its half-yearly survey of capital spending, the bank polled a total of 1,323 companies in all sectors of the economy. Overall, Japanese business looks like increasing its capital expenditure by 7.3 per cent, according to the survey, because planned investment by non-manufacturing companies will rise sharply (up 19 per cent.).

Electric utilities, in particular, plan a major expansion in their facilities with considerable financial help from the Government's expansionary 1978 budget.

The investment intentions of manufacturing companies largely coincide with the findings of another survey published this week by the Fuji Bank. According to Fuji's research director, Mr. Shinji Tsuji, Japanese industry as a whole is operating at 10 per cent. less demand than supply. To close the gap, Mr. Tsuji writes in the Bank's recent monthly report, "The only alternative is to reduce supply by scrapping equipment."

Several sectors where overcapacity is conspicuous, according to the Fuji Bank report, have already launched capacity cutbacks or are planning such moves.

According to Mr. Tsuji, "production capacity increased by 20 per cent. in the period between 1973 and early 1977." In the past year, however, capacity increased by only 3 per cent.

ISRAEL'S OIL SUPPLIES

Protecting an Achilles heel

BY RICHARD JOHNS, MIDDLE EAST EDITOR

IF NOTHING else, the Shah of Iran's hint that he would, under certain circumstances, be prepared to deny oil supplies to Israel could be seen as official confirmation that Iran is providing essential crude to the beleagured State. Policy hitherto has been to maintain a discreet silence on this sensitive issue in Tehran and in Jerusalem.

The question of Israel's oil imports has been subject to censorship and only occasional public pronouncements. Officials in Jerusalem were said yesterday not to be attaching much importance to what appeared to be an oblique warning—adding again that the Israeli Government had received no intimations of such a threat. Yet following a spate of rumours and speculation that Iran might be prepared to use its crude as a means of diplomatic "leverage" to bring about a Middle East peace settlement it would be strange if the Israeli Government were not a little concerned.

The Shah was asked in an interview with the Washington Post if he would be prepared to reduce deliveries to make Israel less "intransigent" in the current exchanges with Egypt initiated by President Sadat's initiative last autumn. He replied: "That depends. If there is a general decision by all, for instance America, to stop your delivery of arms—that kind of embargo—then everything is possible."

He added that another hypothesis might be "embargoes on everything such as has been decided against Rhodesia and South Africa" by the U.N. The Shah added: "It is not in my hands, anyway. It must be a general policy" agreed to by the U.S. and the U.N.

On the face of it the qualifications about collective action, and particularly U.S. participation in it, would seem enough to allay any Israeli fears. Clearly, Washington would defy any embargo and use its veto in the UN Security Council to thwart any attempt at imposing mandatory sanctions on Israel. Moreover at the time of the second Sinai disengagement agreement the U.S. gave a "guarantee" about Israel's future oil supplies.

However, from the beginning, the Shah has made clear his support for Mr. Sadat's initiative which, as it happens, was launched just after the Egyptian leader's visit to Tehran where it was presumably discussed.

Speaking in an interview published last November 6 the Shah praised Mr. Sadat for having "fewer complexes" about peace than the Israelis and saying that they should take a gamble on peace—which would mean fulfillment of UN Security Council resolution 242 including evacuation of the occupied territories.

A shift in Iran's sympathies towards the Arabs was discernible long before Mr. Sadat's mission to Israel. Initially, it became evident about the time of the 1975 summit of the Organisation of Petroleum Exporting Countries (OPEC) and had something to do with solidarity with fellow oil producers and the Third World.

Of more immediate importance, however, is the Shah's concern about stability in Saudi Arabia and Egypt and the continuance in power of conservative regimes there. He is not alone, of course, in fearing the consequences of the radical upheaval in the Arab world and a strengthening of Soviet influence in it. Hence his implied warning that Iran's friendship with Israel — which has always been covert — may be limited by the diplomatic or martial behaviour of the Jewish State. Whatever the Shah meant in his most recent interview Western diplomats in Tehran have been saying for the first time ever that the possibility of an oil embargo is not dismissed outright in private talks with Iranian officials.

According to the Israeli Ministry of Energy, "foreign consumption" of oil last year was 7-8m. tons or a rate of 140-160,000 barrels a day. The figure given may or may not be accurate. Actual domestic consumption would now be about 150,000 b/d or more and Israel is known to have been heavily stockpiling to build up an emergency reserve for at least one year's requirements.

The target may have already have been met, not least through the large volume extracted from Abu Rudeis field (as well as three smaller ones) on the Red Sea coast of Sinai from the winter of 1967-8 until the autumn of 1975. Then in November of that year it was returned to Egypt as part of the second Sinai disengagement agreement.

According to the Israeli company operating the fields, liftings up until October of that year totalled 224m. barrels, the equivalent of some 75,000 b/d over the 8-year period. Subsequently, Mr. Izzedin Hillal, Egyptian Oil Minister, calculated the volume at 400m. barrels, compared with proven reserves of the field of only 300m. barrels. If this is true, then it seems that the Israelis were probably grossly overlifting with the future life of the field in mind.

Nearly all of Israel's imports would have come from Iran last year—although hitherto the official position of Tehran has been that it does not supply oil to Israel and has no knowledge of the destination of crude sold by the National Iranian Oil Company (NIOC). According to industry sources, the main go-betweens are Freegate Forwarding and Pool, neither of which is listed in standard oil reference books.

The crude itself is delivered by a jointly owned Israeli-Iranian tanker company to the Gulf of Aqaba to Eilat from where it is pumped through the 42-inch line to Ashkelon which has a capacity of 1m. b/d (or about 50m. tonnes a year).

The older and smaller one dates from pre-independence days and can still feed the Haifa refineries which had to be adapted to take Abu Rudeis crude—a significant proportion of which, however, was re-exported. For its own direct sales, especially to East Europe, NIOC has also used the pipeline to Ashkelon. However, its throughput this year is said to be much less than last year, when market demand was stronger and hidden "discounts" were being offered by using this route. As it is, the facility can seldom have run at more than 50 per cent. of capacity.

Israel has been anxious to diversify sources of supply and found one last year in Mexico with which it was reported to have concluded a purchase agreement for 1m. tons a year. At the same time, it decided to use coal as the source of energy for the big new power station at Hadera, north of Tel Aviv, which is scheduled to start generating in 1980 reaching its full capacity of 1,400 MW in 1983 and consuming 3.5-4m. tons of coal annually. Last month, South Africa announced an import deal whereby it would start supplying 500,000-800,000 tons a year of coal from 1980 for the Hadera station, possibly rising to 1m. tons later.

As production from Israel's own indigenous fields to the south-west of Ashkelon have declined to negligible proportions, the search has been intensified for new hydrocarbon resources both on its own and on occupied territory.

To complicate the peace-negotiating process, it is on the latter that three significant finds have been made. Israel has acknowledged the discovery of large gas fields off-shore from Rafah at the southern end of the Gaza Strip which was producing 66,000 cubic metres a day by the end of last year, according to Mr. Yitzhak Modai, Israel's Minister of Energy.

Oil in commercial quantities is reported to have been struck off-shore at El Arish in Sinai, near which Israel is building its new town of Yamit. Equally controversial in political terms has been the strike in the southern part of Gulf of Suez controlled by Israel off El Tor where one well is expected to be on-stream this month. According to reports in specialist Norwegian petroleum journals, it could make Israel self-sufficient in oil with a yield of 9m. tons annually.

Kuwait's Oil Minister called for a substantial increase in the price of oil, Tuesday, to compensate petroleum exporting countries for losses suffered by the declining value of the U.S. dollar. A meeting of the Organisation of Petroleum Exporting Countries (OPEC) "*must be held quickly to agree on a common pricing policy for the future*," the Minister, Ali Khalifa al-Sabah, said.

AMERICAN NEWS

In his third article about Cuba, Hugh O'Shaughnessy, recently in Havana, examines the relationship between Cuba and Ethiopia.

Marxism is the common bond

WHAT are the Cubans doing in Ethiopia?

Why should Fidel Castro's regime be so deeply committed to a part of the world with which Cuba has had few historic ties and with a government which it hardly knows?

However unlikely the commitment to the Ethiopian government of Colonel Mengistu Haile Mariam may seem to outsiders it is the result of a sequence of logical thought. If events go the way the Cubans hope they will go, the Castro government stands to gain a great deal from its enthusiastic backing of the Ethiopians.

The cornerstone of Cuban involvement in that area of the world has for almost a decade been Havana's relationship with South Yemen. The government in Aden has declared itself Marxist-Leninist, an uncommon phenomenon for an Islamic country and has maintained close relations with Moscow. It has also had a close rapport with Havana, and used Cuban advisers to help train its army

From their base in Aden, Cuban military personnel have helped the guerilla forces of the Popular Front for the Liberation of Oman (PFLO) to make war on the conservative regime next door in the sultanate of Muscat and Oman. From Aden too, long before the overthrow of Ethiopian Emperor Haile Selassie in 1975, the Cubans were sending assistance to the Left-wing guerillas in Eritrea, the Eritrean Popular Liberation Front (EPLF), who were fighting the central government in Addis Ababa.

South across the Gulf of Aden in Somalia, the Cubans gained influential positions in the administration of General Muhammad Siad Barre, not just training the Somali forces, but also in civilian political posts.

The Cubans' drive to win friends and influence people in the area was complicated by the emergence of an increasingly radical military administration in Addis Ababa.

The Cubans and their Soviet allies, increasingly drawn towards the radical policies of the Dergue and to the person of Colonel Mengistu, soon realised that it would be difficult to maintain good relations with Eritreans and Somalis while cultivating relations with the authorities in Addis Ababa.

The Cubans in particular did their best not to break with either side. Since well before the summit conference of the non-aligned countries in Colombo in 1976, Cuban officials were at work trying to get all sides to agree on a confederation of Left-wing states in the Horn of Africa. Negotiations continued at the Colombo summit and came to a climax in Aden in March last year when President Castro visited Addis Ababa, Mogadishu and Aden, saw the local leaders and made one final effort to square the circle.

It seems that Castro's meetings in Aden, Addis Ababa and Mogadishu proved a turning point in Cuban policy. The Cuban leader made the acquaintance of Colonel Mengistu who had just taken over power in the Ethiopian capital and seems to have been very impressed with him and the drive towards Marxism-Leninism that he was pursuing.

President Castro, never one to hesitate at making an audacious gesture, seems to have put his money on the Dergue, risking the reproaches of the Somalis and the EPLF.

As the months have gone by, the Cuban commitment to the Dergue has become increasingly strong. The Cubans have given aid to Mengistu and sent military specialists as requested.

Nonetheless, there is considerable opposition in some African countries to Cuban and Russian involvement in the Horn of Africa. Algeria, Cuba's long standing ally, has repeatedly said that the troubles of the region should be sorted out within the Organisation of African Unity (OAU). The Cubans make the point that they are helping Colonel Mengistu to repel a foreign invasion. In doing so, they say, they are defending the OAU policy of defending colonial boundaries.

Cuban officials repeat Colonel Mengistu's undertaking that Ethiopian troops will not cross the border into Somalia. They add that Colonel Mengistu is not at liberty to use his Cuban specialists in the fight against the Eritreans. The Eritrean problem, they say, should be solved through bilateral talks.

The benefits that Havana will harvest if its armed support of Colonel Mengistu consolidates him in power are manifold. There will be a fair chance that one of the most populous states in Africa, occupying an important strategic position, will move rapidly towards Marxism-Leninism.

Though it is obvious that the operations of the Cubans in the Horn of Africa have been closely co-ordinated with the Soviet Union, Cuban officials maintain that the relationship between the two Communist countries is no more than one of co-ordination and that Cuban policy is not dictated from Moscow. The Somalis too accept there is a distinction between Cuba and the Soviet Union in that they have broken relations with Cuba while maintaining them with Moscow.

President Tito of Yugoslavia, the first Communist head of state to visit President Carter [illegible] the White House, with the U.S. leader yesterday in a welcoming ceremony. The two leaders are to hold three days of talks.

Carter said to fear Israel backdown on UN call

BY JUREK MARTIN

WASHINGTON, March [illegible]

PRESIDENT CARTER is "concerned about the possibility" that Israel will renounce UN Resolution 242, the heart of Middle East peace negotiations in so far as it affects Israeli withdrawal from the West Bank of the Jordan.

This message was conveyed this morning by members of Congress who had breakfast with the President and represents confirmation of the scarcely-veiled discontent in Washington with Israeli policies towards settlements in the occupied territories.

Although Mr. Moshe Dayan, the Foreign Minister, told the Knesset yesterday that there was no truth to the suggestion that Israel had withdrawn its support for Resolution 242, his simultaneous comment that there were a number of interpretations of its application is seen here as an understatement of potentially deep division between the U.S. and Israel.

Both Mr. Dayan and Mr. Menahem Begin, the Prime Minister, are due to confer here with President Carter next week. While the U.S. might have expected to discuss the issue preliminarily with Mr. Ezer Weizman, the Israeli Defence Minister, on his present visit, the disclosure that Mr. Weizman has threatened to resign over the settlements issue is not helping the consultative process.

The U.S. has been disturbed that the current shuttle diplomacy being practised by Mr. Alfred Atherton, the assistant Secretary of State, has made scant progress, largely because of the dispute over Resolution 242. Mr. Atherton has been shuttling between Jerusalem [illegible] Cairo.

In his talks it is thought [illegible] Mr. Weizman will be lobby[illegible] hard against the U.S. intentio[illegible] sell aircraft to both Egypt [illegible] Saudi Arabia. But the U.S. de[illegible]mination to proceed with the [illegible] is likely to be reinforced by [illegible] settlements issue.

Moreover, in the continu[illegible] battle for American public [illegible] Congressional opinion, wh[illegible] proved susceptible to Presid[illegible] Sadat's persuasive powers ea[illegible] this year, Mr. Weizman may f[illegible] it hard to square those v[illegible] might be inclined to oppose a[illegible] sales to the Arabs but who h[illegible] been equally disappointed by [illegible] loss of momentum in the pe[illegible] talks. Mr. Weizman's t[illegible] becomes harder because Israe[illegible] considered the prime contri[illegible]tor to the loss of momentum.

Court rules on tanker access

BY JOHN WYLES

NEW YORK, March 7

THE U.S. SUPREME Court has ruled that individual states cannot impose restrictions on the size of oil tankers using their ports—a decision welcomed by the oil and shipping industries.

The Court partially upheld a lower court ruling that tanker size should be regulated by Federal authorities and that states cannot introduce tougher limits.

The case stemmed from a challenge by the Atlantic Richfield and Seatrain lines to a Washington state law which prevented tankers larger than 125,000 tons deadweight from moving into and out of the six oil refineries around Puget Sound, off Seattle.

These refineries are now handling oil brought down from the trans-Alaska pipeline terminal at Valdez. But since the Washington state law was passed in 1975, access has been limited to small- and medium-sized tankers.

The Supreme Court judgment could have implications for other ports along the U.S. west coast. East coast ports are too shallow to handle large vessels. Tankers are a favourite target for environmental groups and no fewer that 16 states had f[illegible] *amicus curiae* (friend of [illegible] court) briefs urging the cour[illegible] leave the Washington state [illegible] intact.

The court's ruling [illegible] delivered on a 6-3 vote and [illegible] maintain Washington sta[illegible] right to require that tankers [illegible] escorted by tugs in Puget Sou[illegible] at least until Federal authorit[illegible] issue guidance on tug esc[illegible] requirements.

In addition, all nine judg[illegible] said the state could insist [illegible] local pilots for vessels engag[illegible] in foreign trade but not on sh[illegible] involved in domestic coast[illegible] trade.

Fowler suggests $ mop-up sale

BY DAVID BUCHAN

BRUSSELS, March 7.

THE U.S. SHOULD sell special Treasury notes to the central banks of its major trading partners, in order to mop up some of the dollar glut caused by the U.S. trade deficit.

The former U.S. Treasury Secretary, and present chairman of Goldman Sachs, Mr. Henry Fowler, told a meeting of the Conference Board in Brussels on the future of the dollar that something very similar had been tried in the 1960s with the issue of the so-called Roosa bonds, and that, if tried again, it would remove a "significant part of the periodic pounding the dollar receives from the flow back of oil payments into the Euro-banking systems, reflecting the outflow of new dollars from the U.S. to pay for its oil imports."

Mr. Fowler's suggestion was that West German, Japanese, British, Saudi Arabian and possibly Swiss central banks agree to buy for dollars five or ten-year, non-transferable U.S. Treasury Notes, denominated in dollars. The amount would be fixed to some percentage of the U.S. current account deficit, which last year totalled $18bn.

Other recent ideas, including proposals that the U.S. Treasury borrow foreign currencies fo[illegible] exchange market interventio[illegible] from the private markets, hav[illegible] been frowned on by the U.S. authorities. European banker[illegible] feel that this is partly becaus[illegible] of the loss of face which th[illegible] U.S. Administration fears i[illegible] would suffer in going to th[illegible] private markets for help.

Mr. Fowler claimed that hi[illegible] plan was only designed to sup[illegible]plement, and not displace, the agreement in January between the U.S. Treasury and the West German Bundesbank on a greater activation of the swap network for short term borrowings.

Senate schedules early vote on Panama treaty

BY OUR OWN CORRESPONDENT

WASHINGTON, March 7.

THE U.S. Senate has scheduled a vote on the first on the two Panama Canal treaties for March 16, much earlier than expected.

Although supporters in the Senate of the treaty have recently stepped up pressure for an acceleration of the debate (already over three weeks old), agreement on an early vote would not have been achieved without a shift in tactics by the opposition.

Some opponents claim that they have enough support to defeat the Panama neutrality treaty in ten days' time. Others argue that it is proper to concede the first and concentrate on the second treaty, which covers the transfer of power to Panama over the next 22 years. This is due to come up in April after the Easter recess.

At the moment neither side is confidently predicting that they have the support to either pass or deny ratification, which requires a two-thirds majority in the Senate. It is generally agreed, however, that the tide has been slowly flowing in favour of the treaties, not least because of an effective and politically brave speech on their behalf two weeks ago by Senator Thomas Macintyre, the New Hhampshire Democrat.

The neutrality treaty concerns Panama's pledges to keep the Canal open after it has assumed control in the year 20000. It will be amended in the course of the next 10 days, in accordance with the wishes of backers of the pacts, to provide for right of priority passage to U.S. ships in time of war and affirming U.S. defence rights in the next century.

Senator James Allen, the Democrat from Alabama, who is leading the opposition, has dropped a number of amendments he was planning to offer. He said nevertheless that he was encouraged by the rather small margin of the defeat suffered yesterday by his latest amendment.

Bahamas gambling

The two casinos in Bahamas showed gross winnings of $B47,142,890 (at par with U.S.$) in 1976, of which $B8,954,622 were paid to the government in casino taxes, the most recent report of the Gaming Board shows, Nicki Kelly writes from Nassau. An additional $B10,345 were paid for certificates and permits and $B1,169,388 for immigration fees. The report states that, of the 1.4m. visitors to the Bahamas in 1976, 62.2 per cent. visited the casinos.

Blumenthal calls for pension fund aid to NYC

The U.S. Treasury Secretary, Mr. Michael Blumenthal, said that investments from New York city and state employee pension funds are needed to keep the city from going into bankruptcy, Reuter reports from Washington. "One simply cannot escape the conclusion that failure of the pension funds to make substantial purchases could make it impossible for the city to obtain the financing it needs," he told a Senate subcommittee on pension funds.

Guatemala poll chaos

Two rival politicians stormed into the electoral tribunal in Guatemala City with armed bands of supporters during chaotic vote counting after the general election, and final results were still not known yesterday, Reuter reports. The confused scenes at the election administration headquarters came amid mounting tension in the capital, following charges of fraud, suspension of the count, and rival victory claims. Dr. Francesco Villagran Kramer, a vice-presidential candidate, said he was present when Vice-President Mario Sandoval Alarcon and a presidential candidate, Gen. Ricardo Peralta Mendez, burst in with their respective armed followers to complain about the way the counting was going. The authorities have ordered a secret recount.

WORLD TRADE NEWS

Japan may buy Airbus to lease out

BY CHARLES SMITH

TOKYO, March 7.

JAPAN IS considering setting up an aircraft leasing company that would buy the Airbus A300 and possibly other European and United States aircraft and lease them to South-East Asian airlines.

The Ministry of International Trade and Industry (MITI) told the Financial Times to-day that feasibility talks were going on between it and the Ministries of Finance and Transport. The Japan Export-Import Bank also confirmed that it had been sounded out on finance for aircraft to be imported by the leasing company.

Several South-East Asian airlines, including companies in the Philippines and Indonesia, are known to have expressed interest in joining the leasing arrangement, although contacts are still at a preliminary stage. Korean Airlines has six A300s and Thai International Airways three with a firm order for more and three on option.

The idea behind the leasing proposal is that it would enable Japan to make a dramatic gesture to the EEC (and to the U.S. if American aircraft were involved) without waiting for Japanese commercial airlines to go through laborious and time-consuming deliberations on whether or not to place aircraft import orders.

Japan's smaller domestic airline, TOA Domestic Airways, is known to be interested in the A300 but is not expected to make a firm decision on the aircraft until towards the end of this year at the earliest.

That would be far too late for the current trade negotiations between Japan and the EEC that centre on Japan's big visible trade surplus with Europe and the European demand for urgent measures to reduce it.

The first round of Japan-EEC talks was held last month when a middle-level EEC official visited Tokyo and put certain demands to the Japanese authorities for promoting EEC imports. The next, and possibly decisive phase of talks starts on Wednesday next week with the arrival in Tokyo of Sir Roy Denman, the Commission's Commission's Director-General for External Relations.

Sir Roy's negotiations with the ministries of foreign affairs and trade will last for four days, after which the Commission's Vice-President, Mr. Wilhelm Haferkamp may visit Tokyo on March 22 and 23.

The EEC intends the negotiations to end with the issue of a communique offering dramatic solutions for the trade imbalance, among which might be some undertaking by Japan to buy the Airbus.

The proposal to establish a leasing company, which apparently originated with MITI seems to have been received critically by the powerful Ministry of Transport (which is also suspected of harbouring reservations about the Airbus itself). The Finance Ministry (MOF), however is thought to be generally in favour of the scheme on the ground that it offers almost the only available means of convincingly demonstrating Japan's willingness to reduce its trade surplus with the EEC.

The risks of leasing aircraft to South-East Asian airlines, which presumably lack the resources to buy the aircraft outright, are acknowledged to be great but MOF is apparently taking the line that this can be tolerated if the leasing operation is regarded as a form of aid to the countries concerned.

Airbus Industrie (the European consortium that makes the A300 has appointed a vice-president with full-time responsibility for sales to Japan. The man concerned, Mr. John B. Cognard, arrived in Tokyo early this week for a four-week stay.

The cost of one Airbus to Japan is estimated at $28m. to $30m. (plus an additional $10m. or so for spares). An order for 15 aircraft might therefore be worth as much as $600m., a sum that would make an appreciable dent in the $5bn. surplus Japan earned on its trade with the EEC in 1977.

The U.K. is a participant in the Airbus project, through the Hawker Siddeley division of British Aerospace, which makes the aircraft's wing. Total British earnings from a sale of 15 aircraft are estimated at not more than £30m. to £35m., however.

That is substantially less than Britain might expect to earn from Japan if TOA Domestic Airways were to place an order for the all-British BAC One-Eleven, another aircraft being strongly promoted in the Japanese market. TOA's potential requirement is for about 20 BAC One-Elevens, estimated to be worth £120m. to £150m.

Smelters promised help

BY OUR OWN CORRESPONDENT

TOKYO, March 7.

THE JOINT Brazilian-Japanese aluminium project should be pushed ahead according to the initial schedule as a big long-range national project, Mr. Toshio Komoto, Minister for International Trade and Industry (MITI) said to-day.

The Government's promise to provide aid if needed was given to Mr. Toshio Doko, President of the Federation of Economic Organizations (Keidanren) and the representative of aluminium smelters in reply to their appeal for government help for the projects. Mr. Doko had informed MITI that because of business difficulties facing Japanese aluminium smelters there were doubts as to whether the project would keep to schedule.

The plan is to establish a 320,000-ton capacity aluminium smelter and an 800,000-ton capacity alumina plant in Belem, north of the Amazon by 1981 at an estimated cost of Y400m.

Mr. Komoto to-day avoided committing his department to the project but pledged that if difficulties arise in its implementation, the Government will give any necessary aid.

Argentine fishing experiment

By Robert Lindley

BUENOS AIRES, March 7.

THE ARGENTINIAN Economics Minister, Mr. José Martinez de Hoz, has signed a "general agreement" here with a Japanese group under which the group will fish experimentally off the Argentine coast south of the 40th parallel for a year.

The Japanese group, comprising Nipon Suisan Kabushiki Kaisha, Taiyo Gyogyo Kabushiki Kaisha, Kabushiki Kaisha Kyokuyo, Hoko Suisan Kabushiki Kaisha and Nichiro Ryoryo Kabushiki Kaisha, and a West German group, won the competition for international bids offered by the Argentine Government in July. The Argentine Government and the West German group are in the process of reaching a general agreement.

As a result of the agreements Argentina is expected to expand its yearly fishing catch by three-fifths. Last year's catch was 340,000 tons, a record.

The agreement with the West German group, like that with the Japanese group, will provide for an annual catch of up to 100,000 tons. In the agreement with the Japanese, Argentina will receive half the profits, and three-quarters of the catch must be hake. In exchange, the Japanese group will investigate Argentina's fishing reserve and grant Argentina $6m. credit for an oceanographic vessel from Japan.

The agreement with the West German group likewise will provide for building an oceanographic vessel for Argentina.

Indian materials pay for Soviet technology

BY K. K. SHARMA

NEW DELHI, March 7.

ECONOMIC DEALS worth around Rs.10bn. (£600m.) are expected to materialise between Russia and India after the signing of a protocol here covering many fields, particularly steel, non-ferrous metals, oil exploration and science and technology.

The most important is steel. Russia has agreed to supply modern technology to the Bhilai plant, raising its capacity from 4m. tonnes to 5m. with nominal additional investment.

More significantly, Russia has committed itself to helping to raise the capacity of the Bokaro plant from 1.7m. tonnes to 4m. tonnes.

Russia also agreed to set up a blast furnace at Vishakapatnam Port in Andhra State to produce 1m. tonnes of pig iron. Co-operation in steel will mean also that India will be free to use new technology to be supplied to the Bhilai plant in other steel mills in the public and private sectors, so that, overall, production will get a significant boost.

The biggest deal other than in steel is in alumina, for which Russia has agreed to set up a 600,000-tonne plant based on the bauxite deposits in the eastern coast (where Iran is also helping to set up another similar plant). This will be based on the "compensation" principle, which will mean Russia will provide technology, equipment, construction materials and other items for the plant in return for the alumina produced.

Fraser hits at EEC again

CANBERRA, March 7.

AUSTRALIA'S Prime Minister Malcolm Fraser to-day mounted a fresh attack on the EEC's trade barriers and warned the developed world that restrictionism could spell economic and social disaster.

Rules governing world trade had all too often been interpreted to suit the purposes of the major developed countries, he declared, opening the three-day general assembly of the International Press Institute (IPI).

Mr. Fraser, increasingly critical in the last few months of trade barriers erected by the EEC, Japan and North America, declared: "What we do seek . . . is a fairer deal in treatment of our exports."

He accused the West's major industrial nations of manipulating or ignoring international rules for trade by building special trade barriers to protect their high cost agricultural sectors. Australia's agricultural exports were subject to restrictions such as variable levies, quantitative restrictions and State trading practices, he said.

Reuter

Sao Paulo sanitation project

By Sue Branford

SAO PAULO, March 7.

THE LARGEST loan ever granted to Brazil for a sanitation programme will be signed to-morrow. The loan from the World Bank is for $110m., with a three-year grace period and an interest rate of 7.45 per cent. per annum.

It will be used by Sabesp, the Sao Paulo state Government sanitation company, to help finance Sanegram, an enormous sewerage project, with a total planned investment of $1.5bn. As the first stage of this project, Sabesj will lay down 3,287 kms. of sewage piping and build three sewage treatment plants in greater San Paulo. Barueri, the largest of the plants, will eventually be treating 63 cubic metres fo sewage per second, which will make it the largest plant in the world.

International tenders will be held shortly for pumps and sewage treatment equipment for the plants.

Reinnaldo de Barros, president of Sabesp, commented: "We are really very backward in sanitation questions, because only 38 per cent. of greater Sao Paulo's sewage is collected and, of this, only 5 per cent. is treated." This means that nearly all of the city's sewage is deposited, untreated, into the heavily-polluted rivers. The president added: "When the first stage of the programme is completed in 1983, we should be collecting 55 per cent. of the sewage and treating 45 per cent. of this."

Tourist trade fair grows with power of the mark

BY LESLIE COLITT

BERLIN, March 7.

AS BEFITS a country whose inhabitants spend more on travel than those of any other country, West Germany is holding the world's largest tourism trade fair at the West Berlin exhibition grounds.

The International Tourism Exchange was a modest affair when it was begun as an experiment 12 years ago. But along with the spending power of the Deutschemark it has burgeoned into an important influence on the travel market.

The British Tourist Authority and many regional United Kingdom tourist boards are represented at the fair, which ends this Sunday, also such prominent British names as Trust Houses Forte hotels, which is showing to the trade its worldwide string of top-category hotels.

The fall in the value of the dollar to mark is said to be attracting an ever greater number of Germans to places such as the Caribbean, until now virtually a domestic American sea. The arrival of German holiday-makers able to afford accommodation such as that offered by Trust Houses Forte has the effect of replacing "cheaper groups of business with upmarket business," in the words of one company representative.

Italy, as the second most popular goal of German tourists after Austria, is massively represented by its regional tourist boards. The Americans are also here in full force and Mr. Max Ollendorf, head of the United States Travel Service in Frankfurt, says the depleted dollar is encouraging more Germans than ever before to "spend their vacations in the U.S. and not just to visit Uncle Harry and Aunt Emma."

Italian shoe exports fall

BOLOGNA, March 7.

ITALIAN SHOE exports dropped 1.5 per cent., or 4m. pairs, to 260m. pairs in 1977 from the previous year, the president of the Italian Shoemakers' Association told the annual assembly here.

But 1977 export income amounted to L1,800bn., still higher than the previous year's total, as a result of increased prices.

Ottorino Bossi, the president, blamed the decline of Italian exports on growing competition from developing countries and fixed quotas on shoe imports by some industrialised countries. Italy is one of the world's largest exporters of shoes.

Bossi noted that the European Community's imports in 1977 climbed 30 per cent. to 300m. pairs from the previous year. He urged bilateral negotiations with some countries "to avoid their uncontrolled expansion on the EEC markets."

AP-DJ

EAST AFRICA TRADE

Tanzania's bottleneck

BY MICHAEL HOLMAN, IN LUSAKA

LANDLOCKED Zambia faces her most serious transport difficulties since the Rhodesian border closure in 1973, according to shipping agents here. A mounting backlog of cargo at the Tanzanian port of Dar es Salaam, which now handles nine tenths of Zambia's trade, is caused by a shortage of wagons and locomotives on the Tanzania-Zambia Railway (Tazara) as well as shortage of vehicles on the road between the two countries and handling inadequacies at the port.

Goods held up include wheat, fertilisers and coke for the Zambian copperbelt.

Representatives of the East Africa and European Conference lines visited the port last week and described the congestion as "appalling." The backlog of Zambian imports has risen from 70,000 tonnes in mid-November to 90,000 tonnes to-day despite efforts by the two governments to shift it.

The lines imposed a 10 per cent. surcharge in November but a further increase is ruled out, at least in the short term.

The position is further complicated by delays in payments to port operators and agents because of Zambia's acute foreign exchange shortage. One source estimates that about £7m. is outstanding.

Freight officials believe that more than half Tazara's 1,200-1,400 wagons are under repair. Efforts to supplement the stock from Zambia Railways face difficulties since more than 15 per cent. of its locomotives are at a standstill because of a shortage of heavy lubricating oil.

Turnround in Zambia of serviceable wagons is at least 30 days, compared to the 15 days on which the line's capacity was originally assessed.

In addition to the backlog in imports there are delays in off-loading Zambian copper. Public Works Minister Haswell Mwale said last week that of 115 wagons despatched to Dar only 11 had been unloaded.

Efforts to shift some of the cargo on the road link are making little impact. In anticipation that Tazara could carry the bulk of the trade, the truck fleet has run down and operators are short of spares.

The number of private contractors working on the run has been reduced because Kenya-based Somalis, who in the past dominated the private transport sector, are affected by the Tanzania-Kenya border closure.

There is no alternative to the Dar route. Other east coast outlets, the Mozambique ports of Nacala and Beira, have limited capacity, and the road from Beira to the Zambian railhead of Moatize is impassable in the rainy season.

The gravel road to the south through Botswana carried only 1,200 tonnes in December, compared to a 1977 peak of 9,800 in August, because of weather and repercussions from the Rhodesian war.

The Kazungula ferry has been out of action several times and last week the stretch between Francistown and Nata was temporarily closed after the Rhodesian attack on Botswana forces.

The West Coast rail route through Angola to Lobito, which once carried nearly half Zambia's trade, remains closed. Although limited internal traffic is reported, shipping agents believe that any attempt to open the line to Zairean and Zambian traffic would be disrupted by anti-MPLA forces.

No further details are available here of last week's collision between two Tazara goods trains in which six workers died—the fourth big accident on the line since July 1976—but any holdup adds to Zambia's difficulties.

In those circumstances President Kaunda's refusal to reopen the Rhodesian border is likely to come under increasing pressure.

Last month Mr. Frederick Chiluba, president of the Zambia Congress of Trade Unions, urged the government to use "as many common borders as possible" and not close routes for "ideological reasons." But given Dr. Kaunda's repeated commitment to the guerilla-backed Patriotic Front, such a change in policy remains unlikely.

HOME NEWS

Windscale report may go to U.S.

BY DAVID FISHLOCK, SCIENCE EDITOR

THE GOVERNMENT is likely to emphasise the implications for foreign policy of Mr. Justice Parker's report on the Windscale inquiry when MPs debate the report this month.

It is understood the report could become part of the Government's contribution to the international nuclear fuel cycle evaluation. This is the international exercise set up last autumn by President Carter to search for routes to nuclear energy which hold less risk of leading to nuclear explosives.

The Windscale inquiry was set up by the Government to examine the planning application of British Nuclear Fuels for a £600m. reprocessing plant.

Judge Parker's report, published on Monday, is strongly in favour of building a reprocessing plant for spent nuclear fuel at Windscale and of Britain's undertaking reprocessing contracts for foreign customers.

These customers will need the permission of the U.S. Government to send their spent fuel to Britain for reprocessing because of the terms under which the U.S. originally supplied the fuel.

The report argues—for the first time and cogently—that reprocessing of spent nuclear fuel is necessary for environmental reasons, and dismisses allegations that the proposed plant will increase the dangers of nuclear proliferation.

This is in sharp contradiction with the Flowers report of the Royal Commission on environmental pollution 18 months ago, which raised sufficient doubts about the worldwide environmental consequences of reprocessing—especially proliferation—for opponents at the Windscale inquiry to focus heavily on these risks.

Spare capacity

The Flowers report adopted the phrase "plutonium economy" to describe how Britain would be re-using plutonium separated by reprocessing as fuel for a new generation of nuclear reactors.

Judge Parker rejects the use of the phrase as "emotive and inaccurate." He concludes that the amounts of spent fuel arising from nuclear stations make it necessary for someone to provide adequate and reliable reprocessing facilities with spare capacity "and that the obvious locations for such facilities are in one or more of the present nuclear weapon States."

The U.S. Government declared a moratorium last spring on all commercial reprocessing of spent fuel. Only the French Government has approved the signing of new reprocessing contracts for overseas customers.

William Press shares to be re-quoted to-day

BY JOHN MOORE

SHARES of William Press, which were suspended on Monday at 17p at the company's request following a search of the group's offices by 140 Inland Revenue officials, are to be re-quoted to-day on the Stock Exchange.

Press is making the move to ensure that no further damage is done to the goodwill and reputation of the company, and to maintain "the long-standing confidence" of employees, clients and suppliers.

Although the Inland Revenue took away van-loads of documents on Monday, the group said yesterday: "So far as we are presently aware, there is nothing to indicate that the company will not be able to carry on its business in the normal way."

The group added that full year's results will be announced at the usual time towards the end of May. Press confirmed last night that the audit for the year ending December 31 had not been held up by the seizure of company document and files.

"We have been informed by the Inland Revenue that all documentation necessary to the company's day-to-day business requirements will be released as soon as possible.

"We have guaranteed that if documents are returned to us they can be further inspected by the Revenue."

The Inland Revenue said yesterday that "it will be months rather than days before we can make a statement regarding our investigations or take further action. The whole process is going to take some time to sift."

Cranes on move

THE BRITISH Transport Docks Board has approved a £240,000 scheme to provide increased crane facilities at Swansea Docks. Three cranes are to be moved from Garston Dock, Merseyside, to King's Dock, Swansea, to provide greater lifting capacity

Goodyear scraps 400 jobs to cut costs

BY MICHAEL CASSELL

GOODYEAR Tyre and Rubber will cut the workforce at its Wolverhampton plant by as much as 400.

The U.S.-owned company has reported a post-tax loss of £462,000 during 1977 on sales of £187.6m. In 1976 it achieved post-tax profits of £273,000 on sales of £159m.

Like its competitors, the company has been experiencing difficult market conditions. It said yesterday it hoped the cuts in Wolverhampton, where it employs about 5,500, would be carried out on "a purely voluntary basis."

Goodyear is discussing various cost-saving programmes with union officials. "Apart from waste reduction and product improvement schemes, which have already started, the programme will also include manpower savings."

'Body blow'

It is expected that the savings, which will affect a minimum of 300 jobs, will principally involve employees reaching retirement and some short-service workers.

Union officials representing workers at the plant said they expected to have talks with the management in an effort to persuade them against the employment reductions. Mr. Brian Mathers, regional secretary for the Transport and General Workers Union, described the company's decision as a "body blow" for an area where unemployment was already high.

Tyre makers have been hit by the stagnation of the U.K. car industry. Production in the last three years has been running at about 1.3m. passenger cars a year, about 500,000 below the peak output of nearly 2m. units in 1972.

The original equipment tyre market has also been affected by the success of imported cars, which account for 45-50 per cent. of U.K. sales.

Supermarket's trolley thieves

A SUPERMARKET introduced a £1 deposit for shopping trolleys yesterday in a bid to stop them disappearing on busy late-night shopping days. Over 200 vanished in one evening from outside the Sainsbury store at Bretton, near Peterborough, where the annual maintenance bill for their fleet of 600 trolleys has been put at £12,000.

BRITISH INSTITUTE OF MANAGEMENT CONVENTION

Call for more involvement

BY JASON CRISP

THE British Institute of Management yesterday called on the Government to involve managers actively in agreeing a set of economic objectives.

Nearly 1,000 managers attending the Institute's second national convention at the Wembley conference centre also called for urgent action to co-ordinate education and management and to minimise legislation in commerce and industry.

Mr. Terry Beckett, chairman and managing director of Ford, told delegates: "The responsibility for getting this country economically and industrially effective rests to an almost exclusive extent on its managers. That is us. Only to a limited extent does it really depend on government."

Most speeches took up this theme of the managers' role in the economy.

Unless Britain produced "a better mousetrap than our overseas competitors, no amount of lame duckery, protectionism, employment generation plans and so on will stop this country from becoming an industrial museum, with our only income derived from admission fees from people abroad who want to see how not to do it," Mr. Beckett said. Only managers could improve the effectiveness and competitive edge of industry.

Managers insisted on their right to be "actively involved" in determining a set of nationally agreed economic measures.

Ashley Ashwood

Delegates to the British Institute of Management conference at Wembley, North London, on their way to their special train from Marylebone. Left to right are: Mr. Peter Parker, British Rail chairman; Mr. Roy Close, institute director general; Sir Derek Ezra, chairman of the institute; Mr. Trevor Holdsworth, deputy chairman and managing director of the GKN Group; Mr. Bernard Cotton, chairman of the institute's convention committee; and Mr. Terry Beckett, chairman of Ford U.K.

Career

Several delegates called for full consultation with Government and the motion was passed with only one vote against.

Delegates were divided in a lengthy debate on education and industrial needs. The motion called on the British Institute of Management to restate its education and the training policies and to improve management skills.

Proposing the motion, Mr. Harold Hughes, from the institute's Cardiff branch, spoke of concern about school and college leavers having insufficient knowledge of the three Rs. "They get inadequate career guidance, and are ill-prepared for the world of work"

Mr. Anthony Capper, from the institute's Bristol section, told the convention that tours round factories did not help students understand industry and management.

"We must make schools realise that they have to turn out more students in disciplines that will create wealth, because if they do not, there may not be any future generations of students to carry out their fine traditions."

Mr. Peter Parker, British Rail chairman, called for an urgent step to set out the relevant priorities of co-ordination between industry and education. "One is the problem of the quality and quantity of the entrants, and the other is the pattern and quality of studies.

"It seems to me that BIM is saying it has a responsibility—indeed we claim it and welcome it—for the prosperity of Britain, and that means we have a responsibility to concern ourselves with the supply of future managers."

The convention voted unanimously for the motion with the addition of Mr. Parker's call for co-ordination between management and education.

The third motion called on the Government to "cease legislating on matters directly affecting industry and commerce for a sufficient period to allow the plethora of recent legislation to be absorbed."

Most managers agreed that they felt swamped by legislation, but Mr. Richard Stokes, criticised the motion on three grounds.

"It is unrealistic, it is insular and it is negative," he told delegates.

By a large majority, the convention agreed to ask the Government to recognise managers' concern at the mass of legislation and called on it to consult managers more fully before enacting laws which affected them.

Lotteries given tax warning

Financial Times Reporter

INSTANT LOTTERIES run on behalf of some charities could be liable to extra taxation unless it is clear how much the charity will gain.

The Inland Revenue is believed to have advised the Tate Gallery, which plans to run a lottery organised by Cashcade, part of the Ladbroke Group, that tickets should include the amount going to the charity, otherwise the charity might be liable to have the lottery income taxed as company profit. Instant lotteries involve buying a number and being given an on-the-spot result.

Cheaper mortgages could push up price of homes

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE GOVERNMENT'S efforts to reduce lending by building societies would increase the rate of house price inflation rather than reduce it, Mr. Hugh Rossi, the Conservative spokesman on housing, claimed yesterday.

Mr. Rossi said that in trying to restrict the supply of mortgage finance, the Government was acting "in an incredibly short-sighted manner." He said that there was now a large backlog of unsatisfied demand for private housing and rationing of loans would only make the situation worse.

He added: "The key is to increase the supply of houses and make money available so that house builders will know there will be a continuous demand for their new houses. The present policy will disreduce supply in relation to reduce supply in relation to demand."

The building societies are due to decide on Friday whether they will heed the Government's request, and it seems certain that they will go some way towards keeping Ministers satisfied. The Government originally wanted a cut of up to £100m. a month in the societies' monthly lending total of £720m. The societies, however, hope to implement a much smaller reduction.

Mr. Rossi's criticisms were echoed yesterday by Mr. John echoed yesterday by Mr. Julian Markham, president of the Incorporated Society of Valuers and Auctioneers, who said the Government's action could have "a catastrophic effect" on the housing market.

Mr. Markham said the move would cause a further dramatic increase in house prices. The market, he said, should not be interfered with and the Government's action would simply store up problems for the future.

"A reduction now in mortgage supply may have a short-term effect on reducing house prices which in any case will not be seen for some months and holds dangers of a further panic rush to buy now, thus pushing prices up further. Viewed long-term, it will only create more pent-up demands and set off another house price explosion when restraints are lifted.

Laker's right to sell vouchers upheld

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

LAKER AIRWAYS' right to sell anywhere in the world vouchers which are exchangeable for tickets on its London-New York cheap-fare Skytrain service has been upheld by Mr. Edmund Dell, Secretary for Trade.

Mr. Dell yesterday rejected an appeal by British Airways seeking to eliminate this right. The scheduled airlines, including British Airways, already have the right to sell vouchers for their own Stand-By fares world-wide.

The Civil Aviation Authority confirmed in London yesterday that the public hearing of Laker Airways' application for rights to run a cheap-fare Skytrain service between London and Los Angeles, and between London and Chicago and on to Los Angeles, will take place on March 16 and 17 at Space House, Kingsway, London.

Laker wants to be designated as the second British airline on the London-Los Angeles route, in addition to British Airways, under the Bermuda Two Anglo-U.S. bilateral air agreement.

British Caledonian intends to oppose the Laker bid vigorously.

The future of cheap fares across the North Atlantic depends on the outcome of the Anglo-U.S. discussions which started in Washington on Monday.

Little Chef to open more restaurants

THE LITTLE CHEF group of restaurants, part of Trust Houses Forte, is to open 10 new branches this year and at least as many next year. The expansion programme starts with the opening of two restaurants at Rivenhall End, near Chelmsford in May.

The group which began in 1958 as an 11 seater snack bar in Reading, has 180 branches.

Mr. Alan Hearn, the group's managing director, said that the combined effect of improvement plans and advertising had been to boost sales by more than 40 per cent.

Last year, Little Chef restaurants served 20m. customers and employed 2,000 staff.

Wytch oil £30m. a year forecast

BY RAY DAFTER

THE WYTCH FARM oil field, near Corfe Castle, Dorset, is expected to produce crude oil worth at least £30m. annually for the next 20 years. The output could be substantially higher if tests to be carried out by British Gas prove successful.

The importance of the discovery was emphasised yesterday by Dr. John Cunningham, Parliamentary Under-Secretary for Energy, during a visit to Wytch Farm. The reservoir might be capable of producing as much oil as some of the medium-sized fields in the North Sea he said, though industry estimates suggest that it might be equated more accurately to the smaller commercial fields like Argyll and Auk.

The field, discovered by British Gas working in partnership with British Petroleum, should start producing oil commercially in the summer of 1979. Exploration drilling indicated a peak production rate of about 4,000 barrels a day, but in December a new well found a separate, lower structure which should substantially boost output.

Dr. Dickson Mabon, Minister of State for Energy, told members of the Oil Industries Club in London yesterday that a further £5.5bn. needed to be spent on completing the development of the first 17 oil and seven gas fields in the North Sea. About £7bn. had been spent on these fields between 1965 and the end of last year.

● "For all our present healthy supplies of oil and natural gas, the time is not so far away when production of these fuels will decline," said Mr. Alex Eadie, Parliamentary Under Secretary of State for Energy, yesterday. He argued during a visit to the Snowdown Colliery in Kent that Britain will need a strong, efficient and modern coal industry "for as far ahead as the eye can see."

Eaton Axles revives £1.7m. plan

Plans for investments of £1.75m. in the North-East by the U.S.-owned company, Eaton Axles, shelved during a prolonged industrial dispute last year, have been revived. Work has begun on two projects.

A £1m. plant to build components will be completed by this autumn at Cramlington, north of Newcastle-upon-Tyne. The project will provide between 40 and 50 jobs initially, and this total could be increased later.

At the Aycliffe, Co. Durham heavy duty axle plant, where some of the Cramlington components will be used, a £750,000 extension should be completed by September.

Vauxhall order

Vauxhall has landed its biggest order from the Godfrey Davis car hire business with a deal to supply the London-based company with Chevettes and Cavaliers worth £4m. by the end of May.

Advertising lobby

The Advertising Association is to mount a determined lobby against the EEC's proposed directive requiring member-States to adopt "adequate and effective laws" against misleading and unfair advertising. The U.K.'s own system of self-regulation—backed by 60 statutes—is far more effective, the association says.

Jobs for Wales

THE Rural Wales Development Board yesterday announced an outline programme for creating 5,000-6,000 new jobs in mid Wales over the next five years.

A PLEA FOR MORE AID FROM A REGION FACING LESS

Jobs: A chill wind from the North

THERE ARE signs of deepening concern in the North of England over job prospects as a result of the continued recession, and a new round of pressure on the Government for further aid measures is likely in the run-up to the Budget.

Earlier this week a deputation from Cleveland county council was in London to see Ministers at the Department of Industry to express concern at the worsening employment situation and other warnings of a crisis have come over the past week from parts of the North which traditionally have fared better during times of recession.

The deputation from Cleveland has been saying that although the county is currently benefiting from major capital investment programmes along the River Tees by a number of major oil and chemical groups, including ICI and Monsanto, unemployment has now risen above the Northern Regional average. Furthermore in Hartlepool, where the British Steel Corporation is closing one of its works, male unemployment has reached 16.7 per cent. and could, when the closure is completed, be more than 20 per cent.

Cleveland's appeal for further aid follows a warning last week from the mainly rural county of North Yorkshire that the loss of development area status from April 1 will affect employment. The county claims that a number of companies have already decided to abandon plans for expansion because of the downgrading of the area to intermediate status, and that at least 420 jobs are already known to be involved.

The county is urging the reversal of the decision—made last year to compensate for the granting of full development area status to parts of Humberside—and is asking for needy rural areas to be added to the existing north Yorkshire development area. Failing this, the county wants to see the deadline before withdrawal of full development area status extended to 1981.

Concern is also being expressed in Sheffield, which has traditionally had a much lower rate of unemployment than other major cities in the north, over the threat to jobs caused by the continuing world steel recession.

The city council met the Yorkshire and Humberside economic planning council last week to point out that more than 1,000 jobs had been lost in the area since December 1.

Both bodies are worried that rationalisation of the industry as a result of the decline in world demand for steel could lead to further redundancies on top of those already announced and they are urging further development of the city's service industry base to reduce its dependence on manufacturing.

Although unemployment in Sheffield is only about 4.3 per cent., in some parts of the inner urban area the figure, according to a recent survey, could be as high as 19 per cent.

Unemployment in the north of England as a whole is highest in the northern region, which includes Tyneside, Teesside and Cumbria, where it is about 8.4 per cent.—an increase of nearly 1 per cent. on a year ago. In the north west, centred around Manchester and Liverpool, it now stands at 7.1 per cent. and in Yorkshire and Humberside it is 5.6 per cent.

A further problem, however, is the very large pockets of youth unemployment in some parts of the region. Figures issued by the government last week—when it announced its new programme of youth unemployment measures—show that in Liverpool in January there were 16,500 people between the ages of 16 and 17 who had been unemployed for more than six weeks and a further 12,800 in the 19-24 age group had been without work for more than six months.

Figures for unemployment in these two age groups are also very high in Manchester, despite the much wider range of opportunities traditionally available in the area.

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Top Fisons changes to boost U.S. sales

BY KEVIN DONE, CHEMICALS CORRESPONDENT

Mr. Tony Allen: Bid for recovery of U.S. sales.

ƑSONS HAS started a series of ıior management changes in U.K. and overseas operations inly to strengthen its falter- U.S. activities and get the l benefit of further develop- nts of its leading drug dis- ery, Intal, before the primary ent expires in 1982.

Mr. Tony Allen, managing ector of Fisons' pharma- ticals division, is to become main Board director for the npany's business in North erica.

Fisons' sales in the U.S. are s than 4 per cent. of group nover, a disappointing per- mance as the U.S. has been sons' biggest single area of pital expenditure in recent ars, totalling some $20m.

North American sales last year re some $20m., with perhaps o-thirds coming from the U.S. is was from group turnover ridwide of £293.3m. with pre- profits of £21.2m.

The appointment of Mr. Allen an important, though belated, ove by Fisons, for the U.S. is e world's biggest pharma- uticals market.

The president of Fison's U.S. d Canadian companies, Mr. ian King, is leaving the group. had been running the U.S. erations from his base in ronto, Canada, while Mr. Paul odgkins, who continues as airman of the North American mpanies, has been based in e U.K.

Mr. Allen (41) is a Rhodesian no joined the company in 1965 id became managing director the pharmaceuticals division 1975. His priority will be to id a successful way of promot- g Intal, Fisons' anti-asthmatic ug. Sales in the U.S. have en a long-standing cause of ssatisfaction for the company, hich has in the past blamed its arketing partner, Syntex, the S. pharmaceutical group.

Last year it agreed to buy its way out of the agreement with Syntex for $5m. in compensation, so U.S. drug marketing is now entirely under Fisons' control.

Fisons has avoided the route taken by most European chemical and pharmaceutical companies which have entered the U.S. market by acquisition, and has suffered the con- sequences of slow, difficult growth.

In pharmaceuticals it chose to buy a range of other products to support the sales of Intal and its derivatives, rather than to move for company acquisition.

But perhaps most importantly for future development it acquired a 400 acre site at Muskegan, on the shores of Lake Michigan. So far only a small parcel of land has been used here for building a pesticide plant.

This unit produces Ficam, a public health insecticide for use against cockroaches and other crawling insects, and the company is trying to develop it for agricultural applications.

The other market to be developed in the U.S. is for Nortron, a sugar beet herbicide, for which Fisons expects to receive final clearance from the U.S. Environmental Protection Agency next month. A formulation plant for this agrochemical could also be built at Muskegan.

Mr. Ron Bounds, chief executive of Fisons, said yesterday that the company was looking first to multiply several times over its U.S. turnover. "It will be a big, slow build-up, but profits will come," he said.

In other moves, Mr. Joe Valentine, chairman of the scientific equipment division, is to become chairman of the pharmaceutical division, and will be replaced by Mr. Jack Heath. Mr. H. Blackboro, currently head of Fisons' Australian subsidiary, will become managing director of the pharmaceuticals division.

In the U.K. Fisons has stopped moves by Gallenkamp, the scientific equipment company acquired last year, to centralise its operations at Northampton. Its main factories are now in London.

Appointments Page 33

Medical college appeal

By David Fishlock, Science Editor

A PUBLIC appeal to raise £750,000—the balance of £2m. required to establish a new post-graduate medical college at Oxford—was launched yesterday by Sir Richard Doll, Regius Professor of Medicine at Oxford University.

Sir Richard, the scientist whose research established the link between cigarette smoking and lung disease, is to be the first warden of the new college.

Dr. Cecil H. Green, the British-born electrical engineer who founded and subsequently became chairman of Texas Instruments, has donated £1m. towards the college, named Green College.

The Cephalosporin Trust, whose funds derive from research into antibiotics, at Oxford, has provided a further £100,000.

Building began on the college two months ago, on a 3.5 acre site

The college will open in the autumn of 1979, and has been planned for about 300 students and 25 post-graduate researchers. It will also offer 50 fellowships, for limited periods, to the nominees of industrial companies.

Sir Richard said the aims of the college were to improve Oxford's clinical education, to foster research, and to help the liaison between doctors and industry.

Clothing industry set £1bn. exports target

BY RHYS DAVID, TEXTILES CORRESPONDENT

BRITAIN'S clothing industry has been set a target of increasing its exports by 150 per cent. between 1975 and 1980 to a new total of £1bn., as its contribution to the Government's industrial strategy exercise.

The Clothing Economic Development Committee, in a report published yesterday, is also urging the industry to work towards holding present levels of import penetration at no more than the 25 per cent. share of the home market taken in 1976.

If these two objectives can be achieved, the committee claims, it will imply an acceleration in the rate of growth of output from 3 per cent. a year to 4 per cent. an acceleration in the growth of productivity by about one half per cent. per year, and the prospect of about 8,000 more jobs than might have occurred on past trends.

Stability

The report says that the industry is now in a position, because of its low labour costs by European standards, to become the leading European clothing manufacturing industry. It is also able to operate against a background of greater stability following the recent negotiation of the second round of the Multi-Fibre Arrangement which will place new controls on imports into the EEC of textile and clothing products.

The industry, which had a turnover in 1975 of about £1.8bn. still has a number of important problems to sort out. In particular its very low average level of productivity relative to potential, low wage levels and declining employment, low levels of investment, a shortage of in-depth management and professionalism in production, design, marketing and exporting.

Nevertheless, the industry says the committee, has been making substantial progress with exports by the end of 1977 already 90 per cent. higher than in 1975, and as a result well on target to reach the 1980 objective.

The Industry Act aid scheme, under which the Government set aside £15m. to help toward restructuring the sector, was also fully subscribed by the time of its closure at the end of last year in spite of a very slow initial response. Further help for the industry towards sorting out its problems is also likely to come through the newly created Clothing Industry Productivity Resources Agency set up by the Government with a grant of £450,000 and due to become fully active by the middle of this year.

The committee warns, however, that although the industry has been making progress there remains the need for a long-term commitment to exporting. A sharp reflation of the home market, leading manufacturers to divert away from export markets is seen as a danger, as too is the possibility of an unstable appreciating exchange rate. The fundamental requirement now is to ensure that the underlying changes necessary to consolidate progress already made do in fact occur.

In a separate report yesterday the committee published details of a study by management consultants into ways in which a group of companies in the industry have managed to increase sales and profits at a much faster rate than the average for the sector as a whole.

Design

The study indicates the importance of greater attention by manufacturers to design and creativity, greater innovation in specialised areas, and maintenance of agreed delivery dates.

Implementation of these three recommndations say the committee could, when combined with the natural advantage of a home location, enable U.K. manufacturers to offer superior value to the retail industry and enable it to turn away from imports.

Clothing EDC. Progress Report 1978: Increasing your sales in the U.K. clothing market. Nedo Books, Steel House, 11, Tothill Street, W.1. £1.25.

Nuclear safety service

By David Churchill

A NEW safety inspection service for nuclear reactors was launched yesterday by the British Steel Corporation and the U.K. Atomic Energy Authority.

The service will concentrate mainly on light water nuclear reactors in Europe and the Middle East, although the technology and expertise involved could be used in other nuclear plants, such as the proposed Windscale reprocessing project.

British Steel estimates that the European market for reactor inspection is worth about £10m. a year because of new stringent safety demands. But, because of nationalism among European reactor users it expects to gain only a fifth of this market.

A subsidiary of British Steel, the Unit Inspection Company, is to handle the new service. It will operate under licence from the Atomic Energy Authority and will adopt equipment and techniques developed by the authority's reactor plant inspection service. Although the U.K. has no light water nuclear reactors, the authority has built up considerable knowledge in checking their safety and it was to take advantage of this that the new joint venture was formed.

Lankro and BP in foam project

Caton A
revives
£1.7m. pl

BP CHEMICALS and Lankro hemicals have agreed a joint rogramme for developing, ıanufacturing and marketing ıeciality insulating foams, evin Done writes.

The project stems from several ars of research in the U.K. by ınkro Chemicals, which was ken over last year by Diamond ıamrock, the U.S. chemicals, l and gas conglomerate, and ow forms the major part of the oup's subsidiary Diamond ıamrock Europe.

Work has centred on the use resins and systems for phenol rmaldehyde foams. Lankro ys the foams are stronger than eviously available materials d have significantly improved e-retardant qualities compared ith foamed polyurethane and lystyrene.

Interest in phenol formalde- de foams has been stimulated demand for insulating aterials with better flame- tardant properties.

The manufacturers say foams ve off virtually no smoke when ey decompose in fire and they not melt or give off burning mes when exposed to flame.

The two companies will hold out a quarter of the West uropean market for the new ams. They hope the venture ill enable them to compete ore effectively with other ajor producers such as the wiss company Ciba Geigy.

BP Chemicals is the U.K.'s rgest producer of phenolic sins, but has previously con- ntrated on friction material— ıch as brake pads—laminates, foundry and fibrous insulation uses. Last year BP Chemicals completed the £10m. acquisition of the thermosetting plastics division of Bakelite Xylonite, which included its phenolic moulding powders, industrial laminates and phenolic resins businesses.

Under the latest agreement BP Chemicals' resins for the phenolic foam market will be marketed by Lankro with their systems.

Meanwhile, Albright and Wilson has reached agreement with Chisso Corporation of Japan for marketing products in Europe.

The deal allows Albright to sell sorbic acid and potassium sorbate in the U.K., Denmark, Norway and Finland. These two organic chemicals are used as preservatives in many foodstuffs.

Recently Albright signed a marketing agreement with the Japanese company Showa Denko for exclusive rights to sell its glycine—also used as a food additive—throughout Europe. In 1976 it entered an agreement with Nissan Chemical Industries for the sale of sulphamic acid in Western Europe.

Because of the growing importance of additives for food and drink production, the Chemical Industries Association has formed a Food Sector Group. About 25 member companies have joined the group, which will aim to discourage the unethical and unnecessary use of additives in food, to promote high standards of quality and to monitor new legislation world-wide.

Estimates show 3½% fall in cigarette smoking

FINANCIAL TIMES REPORTER

RITONS smoked 125.9bn. igarettes last year, 3½ per cent. ewer than in 1976, according to obacco Advisory Committee stimates.

The estimates, based on figures repared by the tobacco industry, lso showed that there was a net duction last year in the level f distributors' stocks of igarettes, compared with an ncrease in 1976.

"Thus, while it is estimated hat public consumption of cigarettes fell by 3½ per cent. in 1977, domestic manufacturers' supplies to the wholesale and retail trade were down by almost 6 per cent.," says the committee.

Last year, there was a further slight switch to filter cigarettes, at 113.4bn, now accounting for 90 per cent. of cigarette smoking.

Consumption of tobaccos for pipes and hand-rolling declined by 1 per cent. and ¾ per cent. respectively.

Cigar smoking fell by ½ per cent. to 1.57m.

Church's investment funds rise by £30m.

HE VALUE of Church of ngland funds managed by the entral Board's investment office ose by £30.2m. to £112.2m. in e year to November, 1977, says report by the Central Board f Finance.

Three main factors in the 30.2m. increase were: the ecovery in the U.K. securities arkets, the formation of a new und specialising in gilt-edged nd debenture stocks, and a sub- tantial expansion in the use ade by Church trustees of the eposit fund.

The office's deposit fund's total urrent deposits averaged about 43m. during the year and earned lmost £5m. "If this sum had een invested at 5¾ per cent. per nnum—the average rate available from commercial banks on sums of £10,000 and under during the year—income of £2.5m. would have been earned."

Reports award won by Boots

BOOTS, THE CHEMIST, has won the second annual award for employee reports, presented by Accountancy Age and the Industrial Society.

This year's competition, organised by the magazine for reports produced last year, attracted a record entry of just under 300 from U.K. companies, both public and private.

PARLIAMENT AND POLITICS

Fishing safety rules stressed

SCOTTISH MPs yesterday urged the Scottish fishing industry to reconsider its attitude to the reporting of boats' positions following the loss of the MV Enterprise off Lerwick at the beginning of the month.

The Enterprise was reported missing on February 28 although its last radio message was on February 23. The search started at first light on March 1 and was called off the following day after nothing was found.

Mr. Stanley Clinton Davis, Trade Under-Secretary, said in a Commons statement yesterday that there had been a reluctance on the part of fishermen to disclose their fishing whereabouts.

Mr. Clinton Davis said the Scottish Fishermen's Federation had reviewed reporting arrangements last June and the coastguards had tried to enforce it voluntarily. He described the fishermen's reluctance as unwise. A modified system had been introduced whenever a boat was in difficulty or danger.

Mr. Douglas Henderson (SNP, Aberdeen E.) who had asked for the statement, said the Government should invite the industry to reconsider the system so that every precaution was taken to ensure coastguards knew where boats were at all times.

Mr. Teddy Taylor, Shadow Scottish Secretary, said there should be a new resolve to use every possible step to minimise the dangers. There should be discussions with the industry and the Post Office about an acceptable form of position reporting.

Mr. Clinton Davis said it could not be applied only in Scotland. There was an essential need to use the fishing industry safety rules the Government had introduced. Regrettably they had met with considerable opposition. He hoped the fishing industry safety group would consider the matter at its meeting in May.

Mr. Norman Buchan (Lab., W. Renfrewshire) said safety must be the first priority of the fishermen.

Mr. Clinton Davis said the anxieties raised by such tragedies seemed unhappily to be dispelled by time. He hoped the lessons would be learned.

Mr. Hamish Watt (SNP, Banffshire) said there was an undue length of time before the search started. Fishing boats should have to report their position at least once every 24 hours.

Mr. Clinton Davis said he did not accept the criticism of the rescue services. The owners of the vessel had not reported any anxiety for a considerable time.

If the Department of Trade's recommendations had been applied it would have been reported to the coastguards very much earlier.

PM expects improved economic growth

BY IVOR OWEN, PARLIAMENTARY STAFF

BRITAIN'S success in combating inflation should now be followed by an improvement in economic growth, the Prime Minister suggested in the Commons yesterday when the Government's industrial strategy was scathingly condemned by Mrs. Margaret Thatcher, the Opposition leader.

Amid Tory cheers, she described it as "pie in the sky to-morrow and appalling performance to-day."

Mrs. Thatcher recalled with heavy irony that in 1976, which the Government had claimed would be the year of the "economic miracle," the growth rate for manufacturing industry had been set at an annual average rate over four years of 8 per cent.

"What is your target now for next year since that has not yet been revised?" she demanded.

Mr. Callaghan said he did not remember the 8 per cent. figure. He told Tory MPs who criticised him for this that he could not be expected to attend the House charged with every figure which the "gang of four"—the group of Tory backbenchers reported to assist Mrs. Thatcher in her preparations for the twice-weekly Prime Minister's question time—fed to her.

But he conceded that the efforts to overcome inflation combined with the problems arising from the oil-producing countries had created a situation in which it had not been possible for the economy to grow.

Now that inflation had been "broadly overcome" it was possible to look forward to an improvement in the position.

Replying to interjections from the Tory benches, the Prime Minister emphasised the "broadly" and added that he hoped that the Chancellor (Mr. Healey) would be able to provide more information about the prospects for growth in next month's Budget.

Mrs. Thatcher claimed that the trouble was not with the "gang of four" mentioned by Mr. Callaghan but the "gang of one" at the Treasury.

She called for a new approach to industrial strategy based on incentives, instead of high taxation and no incentives for the individual.

Replying to Mr. Andrew Welsh (SNP, South Angus), the Prime Minister stated: "I think there is a period of expansion ahead for British agriculture at the present time."

He also welcomed the assurances given by the Japanese on the limitation of exports of vehicles to the U.K. in 1978. Commenting on the opportunity which would be provided by the Japanese agreeing to take a lower market share this year, the Prime Minister said: "If our own production can increase, we can fill that gap very easily."

Mr. Nigel Forman (C., Carshalton) pressed him to resist any calls for a return to protectionism. This would not be in the interests of British consumers and if attempted through the EEC might well lead to retaliatory action by the U.S. with damaging consequences for Britain's prospects for an economic recovery.

The Prime Minister acknowledged the dangers. Since the war, Britain had followed the path of attempting to lower trade barriers. Now it seemed that the tide might be setting in the other way because of the growth of industrial unemployment throughout the Western world. If this were to happen it would be a "very serious and significant reversal."

But Mr. Callaghan again underlined the justification for "selective action" in appropriate cases. He admitted to some sympathy with the complaints made by the U.S. about the policy of the EEC in relation to agricultural products.

A smiling Mr. Vivian Bendall and his wife, Ann, pictured at the Commons, where the new Tory MP took his seat after capturing Ilford North from Labour in last Thursday's by-election. But the victor's progress was not entirely smooth. The roll book, signed by all new MPs, could not be found and Mr. Bendall was introduced to the Speaker without this formality completed. Later, the book was recovered . . . and Mr. Bendall signed in.

Devolving power over bus shelters

By John Hunt, Parliamentary Correspondent

MPs WERE reduced to discussing the building of bus shelters and queue barriers when the Welsh devolution legislation started the third day of its committee stage in the Commons last night.

Only a sprinkling of members were in the House to hear Mr. John Smith, Minister in charge of the Wales Bill, explain that the Government would retain the right to arbitrate in disputes between local authorities and nationalised undertakings over the building of bus shelters.

In order to draw attention to the parochial level of the discussion, Mr. Neil Kinnock (Lab. Bedwellty) a prominent anti-devolutionist, made a tongue-in-cheek protest.

"Is the Ministry saying that we shall not be devolving powers for the erection of bus shelters?" he said in mock indignation. "If so, I am shocked and dismayed."

Mr. Smith assured him that this was not the case. Under the devolution legislation Ministerial functions listed in the Local Government (miscellaneous provisions) Act, would be transferred to the new Welsh Assembly.

What the House was considering was a list of Government amendments making exceptions to this and retaining some of the powers for Ministers.

There were renewed protests from both sides of the House that the Government guillotine on the Bill was preventing full debate of important clauses.

Sir Raymond Gower (C., Barry) complained that the House had not reached the clause which enables the Assembly to review the structure of local Government in Wales.

He said: "Constitutional changes of this kind should not be dealt with in this manner. "It is inconsistent with democratic discussion and is stifling debate on a most important point."

Doubt over companies legislation

By Margaret Reid

UNCERTAINTY surrounds the prospects for the new Companies Bill which has been expected since the indication in the Queen's Speech in October that legislation would be brought forward to amend company law.

In October, the position was that at least a limited Bill was expected to deal with two matters. One was the need for Britain to bring its legislation into line with EEC requirements by the end of 1978, particularly in distinguishing between the names of private and public companies and stipulating a minimum capital for the latter. The other subject concerned the Registry of Business Names.

Mr. Edmund Dell, Trade Secretary, had hoped that more major legislation might be grafted on to the intended Bill to cover the outlawing of insider trading and curbs on loans to directors, as proposed in the Government White Paper published in December.

But it now seems virtually certain that no legislation on insider trading and loans to directors will be possible this session, in view of the competing claims on Parliamentary time. It also appears uncertain whether any Companies Bill will be launched at all in the present session.

MPs see pensions anomaly

THE PARLIAMENTARY All-Party Pensions Group has criticised what is sees as an unfair anomaly in the Government's new pensions scheme which starts next month.

This anomaly relates to people who retire after April this year but before April 1979. Under the new State scheme, they will pay the increased National Insurance contributions, if they are not contracted-out, but will not receive any additional State pension. The new scheme is geared to make increases on an annual basis, up to the end of the tax year.

The group is tabling an early day motion which seeks to remove this anomaly either by refunding the additional contributions or by exempting people due to retire during the coming tax year.

Mr. Arthur Latham (Lab., Paddington), joint chairman of the group, said it was never the intention of Parliament to impose higher contributions for no extra benefit and it was the sad story of a computer dictating policies.

Age Concern, which is supporting the motion, estimated that about 300,000 people would be involved. In some cases they could be paying up to £1.76 a week in higher National Insurance contributions without any increase in pensions. It considered it quite feasible for the Government to take action.

However, this would be in contrast to the statement made by Mr. Stanley Orme, Minister for Social Security, at a recent Government pensions teach-in. He then admitted this anomaly did exist but felt that this rough justice was the price to be paid for bringing in a scheme that was administratively workable.

The Department of Health and Social Security said refunds could be made by the refunds section at Newcastle. This department dealt with many refunds of contribution each year in respect of persons who had paid too much in National Insurance contributions.

Benefits loss totals £8m.

TOTAL loss through fraud and mistakes in Supplementary Benefits in the last financial year was about £8m., Mr. Stan Orme, Social Security Minister, said in the Commons yesterday.

"Although this sum is small in comparison to the total of £1.8bn. supplementary benefit paid in that year, we take our prevention responsibilities very seriously," he said.

Mrs. Jill Knight (C., Edgbaston) pointed out that the biggest increase in losses was due to official error. She added: "It is the impossible complexity of the benefit system which is contributing to these errors."

Mr. Orme said there were 100m. Giro payments of short-term benefits a year and 900m. longer-term benefit payments. But he admitted that the error due to staff amounted to slightly more than £3m.

Mr. David Stoddart (Lab., Swindon) criticised the Tories who, he said, only raised questions about social security fraud. ◄ if

Pay beds

THE Health Department is making good progress in phasing out pay beds from the National Health Services, Mr. David Ennals, Social Services Secretary, said in the Commons yesterday.

Liberals will try again for PR Euro-voting

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE LIBERALS will attempt to bring back proportional representation during the Lords committee stage of the European Assembly Elections Bill, Lord Banks, the Liberal peer, said last night.

He was speaking on the second reading debate on the Bill, which is now starting its passage through the Upper House. The Commons has come out decisively in favour of the traditional first-past-the-post system for direct elections to the European Parliament.

Lord Banks told peers that his party wanted to give the Commons an opportunity for second thoughts. The election system in the Bill could lead to a gross distortion of the representation of the Labour and Conservative parties in the assembly.

He considered the first-past-the-post system a major and very serious blemish. It meant that the Liberal Party might poll millions of votes and yet secure no seats.

Opening the debate, Lord Harris of Greenwich, Minister of State, Home Office, said that the late spring, or the summer of next year, was likely to be the new target date for the elections.

The Government, he told peers, believed that the regional list system was the simplest and most effective form of proportional representation under the circumstances, but that view had been rejected in the Commons.

"The nature of the rejection suggests that there is no realistic prospect of persuading the House of Commons to change their minds in this issue. We must now accept the simple majority system and proceed on that basis," he said.

For the Conservatives, Baroness Elles said that if the election were to take place in 1979 all procedures must be completed by this November, including consideration of the Boundaries Commission report. "It is essential to get the Bill on the Statute Book as soon as possible."

The only way to ensure that was to leave it substantially as it was. "The method of voting is of less importance than the time factor."

Lady Elles said it was vital for the good name of the U.K. that we should be ready on the next chosen date. "It would be disastrous if, once again, the citizens of the other member States were held back from voting. It would mean further loss of respect and consequent bargaining power in the Community."

Tories press Ennals on Pencourt claims

MR. DAVID ENNALS, Social Services Secretary, was questioned by MPs in the Commons yesterday after his denial on Monday of allegations made against him in the book "The Pencourt File."

Mr. Cranley Onslow (C., Woking) asked Mr. Ennals to say what inquiries he had made into statements in the book, by journalists Mr. Barrie Penrose and Mr. Roger Courtiour, about files relating to Mr. Norman Scott, the former male model whose name has been linked with Mr. Jeremy Thorpe, the former Liberal leader.

Mr. Onslow asked what inquiries he had made on the allegation that "certain files relating to Mr. Norman Scott were removed from his department by a political aide, whom we now know to be Mr. Jack Straw, were then taken to No. 10 Downing Street and seen by the then Prime Minister (Sir Harold Wilson), and he, in turn, took copies of the files and kept them."

Mr. Ennals replied: "It is for Ministers to decided for themselves, bearing in mind the need to respect confidentiality of personal information, what papers they need to consult and what advice they need in order to perform their Ministerial functions.

"Mr. Wilson evidently thought it necessary to inform himself about this case as he has since made clear to the Press."

Mr. Ivan Lawrence (C. Burton), said: "What justification, what exceptional circumstances, were there to justify the disclosure of the files of Norman Scott to the then Prime Minister and his political secretary?

"Was it in order to meet statutory or welfare requirements, or was it to stop duplication of payments out of public funds, or was it to assist police with a prosecution?"

Mr. Ennals said the question of what information a Prime Minister of the day needed to see and what information he asked of a responsible Secretary of State, was for him to decide.

As to any impropriety, Mr. Ennals said this was precisely why he had made a statement in a written answer on Monday.

He said: "I assured the House I had made a thorough investigation when I came to office and I assured myself and the House that there had been in no sense any impropriety on the behalf of the department."

Dublin anger mounts over Mason terrorism charges

BY GILES MERRITT IN DUBLIN

ALLEGATIONS by Mr. Roy Mason, Northern Ireland Secretary, that Provisional IRA terrorists are using the Republic as a base for their activities in Ulster were yesterday discussed by the Irish Cabinet.

The Dublin Government had previously issued a statement rejecting Mr. Mason's suggestions but Irish Ministers' resentment of the charges has threatened to develop into a damaging Anglo-Irish dispute.

Mr. Jack Lynch, Irish Prime Minister, did not attend yesterday's Cabinet meeting because he was away in Cork on personal business. In his absence there could be no further reaction, officials said.

However, Mr. Lynch is understood to view Mr. Mason's remarks as the gravest deterioration in Anglo-Irish relations to date, and if repeated would necessiate a formal protest to Mr. Callaghan.

Irish reaction to Mr. Mason's charges is also based on fears that they could prompt Loyalist attacks from the North.

It is also understood that the Irish Government yesterday requested an answer to earlier representations it had made on cross-border co-operation.

The Irish initiative follows an exchange last month between Mr. Mason and Mr. Lynch over the proportion of terrorist crimes in the North that originated in border areas. The Irish Government is incensed that Mr. Mason's Commons allegations on Monday should have been made without reference to its formal offer.

The Republic's security forces are particularly bitter over Mr. Mason's suggestion that some of the IRA fire bombers responsible for the deaths of 12 people at the La Mon Hotel are at large in the Republic. In the wake of the La Mon attack senior police officers in the Republic have been in close touch with the Royal Ulster Constabulary as part of the investigation.

The Dublin Government's view is that there is no evidence to support Mr. Mason's claims.

Our Belfast Correspondent writes: The Official Unionist Party, encouraged by Mr. Mason's views on IRA activity in the Irish Republic, have urged him to seek a meeting with Mr. Lynch.

The party said that the Government should apply sanctions against the Republic if it fails to "flush out" the terrorists. The Unionists added they would lobby members of the European Parliament in an attempt to bring extra pressure on Mr. Lynch.

They want the Dublin Government to allow terrorists to be extradited to answer charges in Ulster.

● Mr. Callaghan yesterday rejected a demand in the Commons from Mr. Tom Litterick (Lab. Selly Oak), to consider a British withdrawal from Ulster.

"Any suggestion that we should withdraw from Northern Ireland would do nothing but increase the violence to a savage extent," he said, during question time.

LABOUR NEWS

Engineering workers call two-day strike

BY CHRISTIAN TYLER, LABOUR EDITOR

DELEGATES representing 1.2m. engineering manual workers yesterday endorsed the decision of all unions in the industry to call a general two-day strike unless deadlock on pay negotiations is broken.

The national committee of the engineering section of the Amalgamated Union of Engineering Workers voted 48 to three, with one abstention. The policy-making body had been specially convened in London to back Friday's threat of a stoppage on March 20 and 21.

A Left-wing move to toughen the negotiators' stance on the pay talks was defeated by 27-24, a vote which could be a pointer to the political division to emerge at the committee's annual conference in the first week in May.

The dispute, which has attracted the intervention of the Advisory, Conciliation and Arbitration Service, is about the application of the incomes policy to proposed new minimum rates.

According to the Confederation of Shipbuilding and Engineering Unions, the argument centres on those firms who are paying less than the proposed new minima. They want the new rate to be applied generally on the agreed dates of March 1 and August 1. The Engineering Employers' Federation says that a common date would put many firms under threat of Government sanctions for breach of pay guidelines.

Yesterday's move by the Left was an attempt to reject the rates proposed on the grounds that more should be done on hours and holidays as well as the federation's argument about timing.

Scanlon accuses

The rates proposed are £57 a week from March for skilled men and £43 for unskilled, rising to £60 and £45 from August 1. The last national agreement, in 1975, set rates of £42 and £33.60. Average earnings for a 40-hour week, excluding overtime, are £66 and nearly £45.

Yesterday's events mean that negotiators still have some room when they confront the federation again on Monday. But the argument is looking increasingly like one that the Department of Employment will have to resolve.

Mr. Hugh Scanlon, leading the unions for the last time in his final year as president of the engineering workers, introduced a new note yesterday when he said that unions could always have recourse to the fair wages schedule of the Employment Protection Act.

Workers in firms paying less than the proposed new minima could go to the Central Arbitration Committee to claim the new "going rate"—and the committee's awards are not bound by the 10 per cent. earnings limit.

He accused the federation of hiding behind the guidelines, and said they should sign first and tackle the problem with the Employment Department later.

In order for the "fair wages" idea to work, however, the agreement would have to be signed first. A recent High Court decision against the committee established that the national minima are the "going rate" for the industry, not actual earnings which in most cases a

Worker democracy 'dead' at Leyland

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

WORKER PARTICIPATION, one of the main Government hopes for reviving Leyland Cars' industrial performance, is in a state of collapse, according to shop stewards.

The system is dead, Mr. Derek Robinson, senior union spokesman and a leading advocate of worker democracy, said last night.

The union side of the cars council, the top-tier worker participation body, suspended meetings in protest at the announcements of closure of the Speke assembly plant.

Stewards throughout the company are taking similar decisions, and the participation machinery has almost ceased to function, said Mr. Bill Roche, secretary of the union side of the cars council.

The stewards complained that the Speke decision was the third important one taken by Mr. Michael Edwardes, the new British Leyland chairman, and presented to the work force as a fait accompli.

Mr. Eric Varley, Industry Secretary, is likely to refuse a request from the stewards for a meeting. He takes the line that it is a matter for the unions and management to sort out their relationships.

The pressure must be mounting on Mr. Edwardes to take an initiative in reviving the participation machinery. The Government placed emphasis in its original rescue scheme on the need to enlist the co-operation and involvement of the workers.

Sections of senior Leyland management have become convinced of the value of participation and are concerned about the present problems.

A meeting of Leyland stewards to review progress toward industrial democracy is imminent. There are likely to be calls to scrap the present separate system of participation, and instead extend existing negotiating machinery.

Mr. Roche said that information should be made available to shop stewards under the provisions of the Employment Protection Act.

● Merseyside Chamber of Commerce is not likely to support attempts to keep the TR7 Triumph plant at Speke from being closed because, it says, over-manning and similar issues are not conducive to economic production.

Steelmen seek £20,000

CLAIMS for redundancy pay-of of up to £20,000 for long-servic steelmen at the threatened Ea Moors plant, Cardiff, will be su mitted to-day.

More than 3,300 men will los their jobs if the British Ste Corporation goes ahead wi closing of the plant this yea Workers were promised that th plant would stay open until least January 1980 after th Beswick inquiry into the ste industry.

But the corporation has sai it would like to bring forwar the closing of some obsolet works because of world recessio in the steel industry.

Steel unions have agreed i principle to the works closur subject to agreement on sati factory compensation.

The plant is the largest liste for early closure and the pay-off details are expected to set th pace for other works.

Members of the TUC ste committee, led by Mr. Bill Sir general secretary of the Iron an Steel Trades Confederation, hel final talks last night over th pay-off claim with members o the works council.

The committee will meet British Steel team to-day led b Dr. David Grieves, managin director of personnel and socia policy, and Mr. Peter Allen, hea of the corporation's Welsh division.

Hardship cash

East Moors workers ar expected to demand severanc payments equivalent to the earn ings between actual closing dat and January 1, 1981—a year beyond the earliest closure date under the Beswick plan.

In addition, the men are believed to be seeking a further hardship payment as compensation for the lack of alternative job opportunities. In some cases compensation money claimed would top £20,000.

The payments will be substantially higher than those agreed this year for the early closure of the corporation's Hartlepool plant, where pay-offs ranged between £2,000 and £7,000. The East Moors men claim that the Hartlepool closure was only a year ahead of schedule.

The corporation is expected to take a tough line at to-day's talks.

● The TUC steel committee said last night after the Cardiff meeting that the need at the moment was to support the efforts being made by Mr. Eric Varley, Industry Secretary, to cope with the serious losses being made by the British Steel Corporation.

Marine-engine chief for shipbuilders' job

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH Shipbuilders appears at last to have found a candidate for the post of industrial relations director acceptable to its trade unions.

It is expected that Mr. Richard Whalley, managing director of Sheffield division of Sulzer, the marine-engine builder, will be named for the post in the near future, if his nomination meets no snags in Whitehall's long and complicated clearance procedure.

It was announced yesterday that Mr. Keith McDowall, director of information at the Department of Employment, will become managing director, information services, of British Shipbuilders in May.

A former industrial correspondent of the Daily Mail, Mr. McDowall, 48, has been at the Department for over four years. Before that he was at the Northern Ireland Office, the Home Office, Department of the Environment, Board of Trade and the old Department of Economic Affairs.

Mr. Whalley's name is not well known in the shipbuilding industry, despite his connection with Sulzer. The Sheffield division of the Swiss company has been principally involved in manufacture of machinery for the paper industry.

He has almost completed the winding-up of this operation, formerly known as Millspaugh, with the loss of about 500 jobs. He retains the chairmanship of another Sulzer company in Sheffield, C. A. Harnden, which makes plastic-bag machinery.

When appointed Mr. Whalley, 56, will join Mr. Ian Farningham, 54, at the head of British Shipbuilders' industrial relations team. Mr. Farningham recently came to the corporation as executive director of industrial relations, a non-Board post, from Govan Shipbuilders.

There has been considerable difficulty in finding a suitable candidate for the Board post, and the delay in making an appointment has been the subject of some criticism in the industry.

The shipbuilding unions, which have Board level representation in British Shipbuilders, are thought to have vetoed at least one strong contender for the post.

Mr. Whalley will bring to the job wide experience of management in periods of industrial change, of which his recent experience with Sulzer was the most dramatic.

He began his industrial career with Vulcan Foundry in 1952 and continued to work for the organisation after it became part of English Electric in 1962. From 1969 to 1971 he was a Board member of Glacier Metals, and was responsible for setting up a factory at Ilminster, Somerset.

For 15 years Mr. Whalley was a panel chairman for the Central Conference of the Engineering Industry, then the final court of appeal for disputes in the industry.

He serves on the mechanical engineering Little Neddy, is chairman of the NEDC construction equipment working party, and is a member of the commercial and economic committee of the Engineering Employers' Federation.

Hope of early end to school disruption

HOPE of an early end to school disruption grew yesterday as more local education authority leaders indicated support for the reopening of negotiations on the April pay increases for 454,000 teachers in England and Wales.

The negotiations became deadlocked last week when the authorities refused to offer more than 9 per cent. for the April rise, holding back the further 1 per cent. allowed by the pay guidelines to cover upward drift in teachers' incremental pay scales.

The National Union of Teachers claimed that six of the 105 local authorities had shown sympathy with union demands for a higher April offer as a basis for resumed talks.

The union continued to extend the withdrawal of members from voluntary duties, closing schools in several areas including Bristol, Durham and Newcastle. The union plans to extend its action to 110 areas by the end of the week.

'Sacked' oilmen picket airport

MORE THAN 50 electricians who claim they have been sacked from their jobs on North Sea oil rigs staged a picket protest at Aberdeen airport yesterday. They were asking off-shore colleagues to black the safety alarm installation work they claim they should be doing on four oil platforms.

About 100 electricians, employed by Mather and Platt Alarms on the Brent A, Brent B, Dunlin A and Brent Spar platforms, claim they were sacked after they had negotiated a deal that provided better conditions and rates of pay than those agreed in the rest of the North Sea construction industry.

Swan Hunter workers return

BY PHILIP BASSETT

THE 9,000 Swan Hunter workers laid off on Monday because of a pay dispute involving 80 security guards, will be back at work to-day, although the dispute has not been settled.

The men turned up for work yesterday, but were sent home again. They are to be paid for the day because they were not given 24 hours' notice of the lay-off.

After talks between Swan Hunter management and guards' representatives, suspensions placed on guards, after sanctions in support of their 10 per cent. pay claim, were lifted. The guards will carry on with the sanctions.

Brewery men discuss strike

Workers at Boddington's brewery in Manchester will hold a mass meeting on Friday to discuss their strike over an overtime dispute which has stopped beer leaving the brewery for a week.

Time to put the record straight

To: Rt. Hon. Edmund Dell, M.P., Secretary of State for Trade.

Mr. Dell, we are representatives of family Datsun garage businesses all over the country, in which we have invested everything we own and which employ around 18,000 British people.

We are speaking out now, Mr. Dell, because our livelihood, the jobs of our employees, and those of many thousands of other workers employed producing components and spare parts for us are threatened by the long and persistent campaign against car imports from Japan.

Many statements have been made with incorrect "facts" and assumptions that make the Japanese appear responsible for all the troubles of the British motor industry and, indeed, of our economy.

We wonder in fact whether this campaign against Japan really has the interests of the British economy or British Leyland at heart, or is of help in furthering British exports to Japan.

We understand the concern about the huge investment of public money in British Leyland, but we cannot see how their problems, which started long before the first Japanese car was imported, will be helped more by attacking Japanese car imports than other car imports, which are more than three times greater.

Whether the Japanese share is 10% of the U.K. market for which you are fighting or remains at 10.6% or even 11% will have as much effect in curing Leylands problems as an aspirin in curing pneumonia.

A look at the facts

Because of repeated T.V. interviews and statements reported in newspapers over a long period, together with inaccurate information which is circulating about the import of Japanese cars to the U.K., we, as Datsun Dealers, with our livelihood at stake, felt it necessary to investigate the facts and the importance of this problem for Britain. We have come to the puzzling conclusion that:

* **Total imports to Britain from Japan—of cars, T.V.'s, cameras, everything—account for only 3% of our total import bill... yet there appears to be more concern about them than the other 97%.**

* **The cost of *all* Japanese cars brought into Britain is only 0.7% of our total import bill and cannot in any way be responsible for our trade problems.**

* **Only 23% of all imported cars come from Japan... yet it is never suggested that the other 77% of imported cars are "threatening" the British car industry.**

You will be aware that in the past two years the market share of Japanese cars in Britain has increased by only 1.57% and yet total imports have gone up by 12.15%. Is it fair to suggest that growth by 1.57% is a "soaring" increase, while 10.58% extra from France, Germany, Italy, etc. is not? Can it be overlooked that last year Fiat of Italy alone increased its car sales to Britain by 17,420, almost as much as all *five* Japanese car importers put together.

We have read and heard many times that a "flood" or "blizzard" of Japanese cars into Britain is threatening to destroy the British car industry, but such statements have no basis in fact. The official statistics are:

Registrations in the U.K. in 1977		
Total Imports	600,577	(45.38%)
Japan	140.415	(10.61%)
E.E.C. & Others	460,162	(34.77%)

Could anyone suggest that our level of mathematics is such that we see 34.77% as a trickle and not worth mentioning, and 10.61% as a "flood"?

It has been suggested that because Japanese cars accounted for 13% of the U.K. market in January that this indicates a trend of great concern. Even a superficial study of the car market shows that one cannot judge a year's statistics on one month alone, or even two, because of fluctuations in demand, availability, price changes, seasonal factors, and so on. The level can be 6% in one month and 14% in another. It is the average for the year that counts. It is because such elementary facts are circumvented that misleading conclusions are regularly, if not intentionally, formed and published.

Would Leyland benefit?

We wonder too if Leyland would benefit by car imports from Japan being reduced.

Importers from Europe are not running charity organisations for the benefit of Leyland as they have shown so often in the past. Each time in the last three years that Datsun Dealers have voluntarily restricted sales, European importers have leapt into the vacuum.

In December last year, when Datsun voluntarily restricted sales to 2% of the market, and angered many customers, the Japanese share of the market fell by 4% *but total imports stayed the same at around 45%*. Leyland gained nothing from our gesture, their market share in fact dropping half a per cent, while other importers were happy to take advantage of Datsun's virtual absence from the market. A similar situation occurred during August and September—when Datsun cut back on sales, Fiat, Renault, V.W. and others increased their market share substantially. On *both* occasions, British Leyland's share dropped instead of improving.

We would not like the examples we have given to be interpreted in any way as a suggestion that we would like other importers to face restrictions, even accepting that Fiat has announced that it plans to increase its sales to 90,000 next year, an increase of 36%.

To reduce Japanese car sales in this way protects the jobs of French, Italian and German workers, but not those of British Leyland workers.

Would it not be more helpful if the 134,286 cars built abroad last year and sold here as "British" Allegros, Escorts, Capris, Granadas, Vauxhall Cavaliers etc. (a total almost the same as all Japanese imports) had been built in Britain? *The Times* reports that only 67% of Vauxhalls sold in Britain are really British and 75% of Fords. Latest statistics for January and February show that even these figures are dropping to 62% of Vauxhalls and 72% of Fords.

Selling cars to Japan

In your remarks on television on Thursday February 23rd, when you were asked about 500 Leyland cars for which Leyland Japan have been waiting for some months you replied:

"Don't let anyone imagine that it is easy to sell motor cars in Japan. If you look at the figures, not just of our exports of motor cars to Japan, but the exports by Germany and other motor car manufacturers to Japan, you will see that it is very difficult to sell motor cars in Japan."

We have looked at the exports by Germany to Japan, and we see that in 1976 alone they sold 21.176 V.W's, Audi's, Mercedes, BMW's and the like to Japan at an estimated value of over £100 million. That number of cars was *higher* than Britain's exports to the "easy" markets of car producing countries such as Germany, France and Italy in either 1976 or 1977 as you will see from the statistics below. So perhaps the low number of British cars exported to Japan has something also to do with the British side?

Japan has deliberately been making it easier for countries with which she has a trade surplus to export their goods to Japan. This year, while Britain retains 11% Import Duty on all Japanese cars sold here, Japan is lifting this "barrier" and will impose no duty at all on British cars exported there. She has also already given Britain's car exporters two extra years to meet exhaust emission regulations which are strictly imposed on Japanese manufacturers in their own country. They have even satisfied the complaint that their regulations were difficult to follow, by producing them in *English* for the benefit of companies like British Leyland. Are British regulations translated into Japanese? No.

On many occasions, Nissan has offered shipping facilities to British Leyland and the use of Datsun dealerships in Japan to service Leyland cars, but the offers have not been accepted.

Department of Trade statistics show that in other car producing countries. British cars are not selling very well and that surely is not the fault of the Japanese. We wonder why Japan is singled out with accusations about the difficulties of selling, if our car sales to other car-producing countries are not much better.

U.K. Imports/Exports Passenger Cars by Quantity

	1976			1977		
Country	Exports	Imports	U.K. Deficit	Exports	Imports	U.K. Deficit
W. Germany	14.392	108.123	— 93.731	13.809	174.747	—160.938
France	12,815	131,336	—118.521	14.989	148.290	—133.301
Italy	6.175	64,083	— 57.908	9.787	88.442	— 78.655
Bel/Lux	17.071	44.713	— 27,642	10.863	59,917	— 49,054
Total E.E.C.	129,006	361.710	—232,704	131.376	483,364	—351,988
Sweden	4,283	24,645	— 20.362	4.941	21.574	— 16,633
E. Europe	2,638	20,292	— 17,654	1.831	26,886	— 25,055
Japan	896	129.788	—128,892	2.172	166,694	—164.522

U.K. Imports/Exports Passenger Cars by Value (£'000)

	£	£	£	£	£	£
W. Germany	30.819	249,841	—219.022	38.216	434.641	—396,425
France	25,852	207,525	—181.673	34.259	265,648	—231,389
Italy	9,077	88.807	— 79,730	17.271	144.799	—127,528
Bel/Lux	23,179	74,799	—51.620	23.355	115.905	— 92.550
Total E.E.C.	171,287	643,313	—472,026	232.561	981.793	—749.232
Sweden	6,175	68,530	— 62,355	8.862	65.481	— 56.619
E. Europe	2,891	14,266	— 11.375	2.723	23.118	— 20.395
Japan	4,179	159.533	—155.354	8.804	248.495	—239,691

Trading with the World

We accept that Japanese imports to Britain are growing—but so are British exports to Japan of many products. In fact, it is one of our fastest growing export markets and must be cultivated. It is true that our visible trade deficit with Japan is £596 million, but, as the Parliamentary Under Secretary for Trade, Mr. Michael Meacher, has said, our surplus on invisibles cuts that to around half that figure.

Our visible deficit with the Common Market was around £2,000 million, and would have been £550 million higher but for our export of crude oil. Our deficit with West Germany alone on visible trade was £1073 million, with Italy it was £553 million and with France £512 million. We also have deficits of £580 million with America, £520 million with Saudi Arabia, £510 million with Canada, £430 million with Russia (apart from their interest-free loan) £300 million with South Africa, and so on.

There is undoubtedly scope for improvement to increase our exports to Japan... but so there is in many other markets.

The media coverage given to the deficit with Japan, totally ignoring similar or higher deficits with other countries, suggests a striking bias.

The role of the S.M.M.T.

It has been suggested many times that the Japanese have "broken" a voluntary agreement about the level of their car sales in Britain in 1976 and 1977.

The S.M.M.T., who have conducted the negotiations and are best qualified to know, have never accused the Japanese in this way and have stated through their President that the Japanese, in contrast, have "shown sense during the British industry's period of reconstruction."

We consider it incorrect that the S.M.M.T., which is a private organisation to support the interests of the motor industry as a whole, including manufacturers, importers and their dealers, should be instructed to obtain discriminatory restrictions from Japan against the policy and interests of their members. Including all importers and the major companies such as Ford, Vauxhall and Chrysler, who have stated that they are against import restrictions. The recent conversion of British Leyland and Mr. Michael Edwardes is easy to understand and not so significant.

We would recall the comment of *New Statesman* on February 17th 1978:

"Not only are import controls an insular—almost at times chauvinist—policy, they also involve a real danger of masking the actual problem and suggesting a false solution."

No unilateral discrimination

We are not asking for special treatment, Mr. Dell, just for fair play and for our right as ordinary British people to be protected from unilateral discrimination. We have to defend our employees and our livelihood.

We are also anxious to see the British motor industry improve its situation for the good of the country and to provide a healthy U.K. car market, but we see only that this present campaign against the Japanese in isolation makes them a scapegoat in a way that threatens our livelihood and the jobs of our employees, without creating any benefit at all for British Leyland or the country. Ignoring the facts doesn't make them disappear.

We do not intend to take advantage of the present Leyland difficulties, but neither can we accept to be accused and pilloried, if our market share varies by decimal points. In fact, we are amazed at the level of approach to the car import/export situation, where a small decimal increase by Japanese cars in the U.K. is given more prominence than a major earthquake, becomes a pet subject for some people and is pursued as an obsession with different undertones.

Such an increase matters not a ha'penny to Leyland or the British economy—what matters is the *value* of cars imported and the *employment* they represent.

In the same way that you cannot compare the material and labour content of a Mini with that of a Jaguar, neither can you compare a small Datsun with a Mercedes or BMW. So a judgement based on numbers alone may appeal to emotion, but not to reason, for it does not bear relation to economic reality, either for the U.K. economy or for Leyland.

We would not feel it fair for an accusing finger to be pointed at us if sales increase by decimal points because we have to cover the soaring costs of inflation to avoid bankruptcy for some of us, or putting workers on the dole. What is fair for one is fair for another.

For these reasons we ask you to look again at the situation in depth, so that the Press and public can see the problem in its true light and in proportion to its significance.

Issued by the Datsun Dealers' Association with the support of Datsun U.K. Limited

Mr. P. Fletcher. Fletcher Motors Ltd., Leeds *(Chairman)*
Mr. J. Bradburn. Bradburn Bros. Ltd., Wolverhampton
Mr. H. Cole, Ancaster Garages, Croydon
Mr. K. Knowlson. North Wales Car Centre, Abergele
Mr. C. Sang, Datsun Baker Street Ltd., London
Mr. W. Weir. Bill Weir Ltd., Glasgow

Statistics from: 1. Overseas Trade Statistics of the United Kingdom 1977. 2. Society of Motor Manufacturers & Traders publications 1977/78.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● ENERGY

Underground store for liquefied gas

SWEDEN is to experiment with the storage of liquid natural gas at very low temperatures in large man-made caverns deep underground and Lloyd's is to help in development work to this end.

WP-System AB of Stockholm has sought the aid of Lloyd's Register Industrial Services which will provide advisory and consulting services, design appraisal, shop inspection and quality control of site work for a prototype underground storage facility at Botele Udd in Sweden.

The initial project is a key development since it will provide the technical information on which the Swedish group proposes to base the provision of some 200,000 cubic metres of storage caverns for liquid natural gas.

The prototype facility is a rock chamber some 15 metres below ground level with the necessary access tunnels and vertical shafts to house the pipework that will connect the cavern with the gas-handling plant on the surface.

The inside surfaces of the cavern are coated with a multi-layer foam plastic insulation applied in situ with a sealing layer of an elastomer between each layer of foam.

On completion, this chamber is to be sealed off and tested with liquid nitrogen at a temperature of minus 196 degrees C. before the cavern is filled with liquid natural gas at minus 161.

Lloyd's Register is to provide full certification, covering safety and compliance with the requirements of the specification...

The final storage will be in several rock chambers it is understood, and the insulant is a polyurethane foam while the sealing layer, 2 to 3 mm thick, is another form of polyurethane.

Lloyd's Register, 71 Fenchurch Street, London EC3M 4BS. 01-709 9166.

Burns coal efficiently

COMPACT, coal-fired fluidised bed furnaces which can be used as uniform heat sources for a variety of industrial drying processes are offered by G. P. Worsley and Co.

Suitable for operation at pre-selected release temperatures up to 900°C, these Thermo-Flow furnaces have claimed combustion efficiencies of 96 to 99 per cent., depending on the characteristics of the fuel used.

Fluidised beds facilitate efficient combustion of the cheaper, low quality solid fuels which are difficult to burn in conventional furnaces. The Worsley units take ordinary industrial grade coal and burn it as standard fuel irrespective of ash and sulphur content. Fluidised combustion produces a soft ash, which is retained in a drop-out zone at the heat discharge end of the furnace.

The Thermo-Flow furnaces are available as single-bed or twin-bed designs, with fuel charging hoppers mounted directly above the beds. Fuel feed into the furnace is automatic and is suitably controlled to maintain the desired thermal output. Furnace operation, both in cold starting and for continuous running, can be by remote control if required.

The standard furnace design is based on experience gained in the actual operation of fluidised bed furnaces for industrial drying applications. This experience followed an extensive research and development programme carried out by the Haydock company in co-operation with the Coal Research Establishment of the National Coal Board.

Rated heat release outputs on the four standard models range from 7m. to 28m. British thermal units per hour (1,750,000-7,000,000 kCal/hr), with gas discharge volumes at 900°C ranging from 27,000 to 108,000 cubic metres per hour.

G. P. Worsley and Co., Haydock Lane, Haydock, St. Helens, Merseyside WA11 0UU. 0744 24891.

● POWER

Smoothing out demand

RECTIPHASE is making a new type of low voltage capacitor which embodies a number of technical improvements and a major ecological one since it avoids the use of PCB, or polychlorinated biphenyl, a dielectric fluid of high performance but evil reputation so far as environmental authorities are concerned, particularly in the U.S.

The Ecovar capacitors are being produced at the company's Bootle plant to a design which the company believes is much more economical than traditional paper capacitors since it provides a saving of 15,000 kWh per year on an installation of 1000 kvar.

Metallised polypropylene windings are employed and these confer a self-healing property since, if an internal electrical fault should develop, the metal in the surrounding area will vaporise and deposit over the puncture and restore continuity.

These windings are impregnated under vacuum during manufacture with a non-toxic and bio-degradable vegetable oil. This has been used for some time in lighting industry equipment and the company's research force has extended its application to the larger units required for power factor correction.

The new models are much more compact than the units they replace and the fluid used has a higher flashpoint than mineral oil.

Industry is becoming much more energy conscious, but potential users of power factor rectification equipment in the food and water industries have been extremely cautious about installing PCB-filled units. Now, the Ecovar series, which has a much greater margin of safety and a non-toxic dielectric, should allay many of these fears.

This is of considerable importance for potential users who have large numbers of electric motors and other heavy power drain units in their plants, offering them a simple means of smoothing out power demand and reducing the weight of cabling needed.

Further from Rectiphase at Heysham Road, Bootle, Merseyside L30 6UZ. 051 521 1561.

Safe fluids for use in capacitors

SYNTHETIC ester fluids developed as safe replacements for polychlorinated biphenyl (pcb) based dielectrics are for use primarily in capacitors and transformers located in confined or critical areas.

MIDEL 7000 series fluids do not break down to produce ecological poisons, they are biodegradable and they conform to the extremely stringent conditions of dryness and purity required by electrical equipment manufacturers.

MIDEL fluids are therefore acceptable alternatives to the pcb based dielectric fluids meeting in addition to environmental requirements, those required for "Health and Safety at Work"—the only handling precautions are those recommended for petroleum based fluids.

These important aspects are combined with excellent performance characteristics including a high fire point in excess of 300 deg. C, a high thermal conductivity value, a high specific heat value and a low viscosity at 100 deg. C. Additionally, MIDEL fluids will not generate toxic substances in the event of electrical or thermal faults developing within plant.

More from Micanite and Insulators on 061 872 2431.

● PRINTING

Speeds up composing

ADDED TO IBM's typesetting machine range is a magnetic card composer which is built up from a typewriter layout keyboard, an integral 8,000-character electronic memory and a pack-feed magnetic card console which provides final storage for corrected and accepted text.

As text is keyboarded it is held temporarily in memory for immediate error-correction or reformatting, and is then transferred for storage on these cards, each capable of holding up to 5,000 characters. They make it possible to retrieve stored text at any time for correction and revision via the keyboard and memory. The composer can then play out the camera-ready text at high speed.

The machine enables text held in memory, or transferred into memory from magnetic cards, to be played out in multiple columns, or, for example, in either ranged right or left, centred or justified formats after a few keystrokes. Run-arounds can also be handled just as easily.

By eliminating manual "cut-and-paste" corrections productivity can be increased in both professional print and in-house print operations. The composer also enables work to be updated, or printed in a different type face, measure or format without re-keyboarding.

IBM, Wigmore Street, London W1H 0AB. 01-935 6600.

● COMPUTING

Terminal newcomer

LATEST contender for the visual display unit terminal market is a new company called Lyme Peripherals, set up by the ex-managing director of Compelec, Martin Underwood.

The company has designed and will manufacture and sell the Lyme 4000 which uses the latest LSI processors and video controller devices and has a specification somewhat better than could be expected for the price of £645. Costs have been minimised because the logic unit consists of only 32 chips—which the company claims is a reduction of some 80 per cent. on the number used in comparable machines on sale at the moment.

The VDU is controlled by a Motorola 6802 micro driving a 6845 CRT controller chip. The result is full scrolling with a 4000 character page of which 1,760 characters are viewable.

More from 2, Avenue Court, Farm Avenue, London, N.W.2 2PT (01-452 0490).

● COMPONENTS

Resistor plant grows

AN INVESTMENT of $1.5m. is being made at the Glenrothes plant of Beckman Instruments to permit local large-scale production of SIP (single in-line package) thin film resistor networks for markets in Europe. This will create new jobs for both engineers and operators.

For the past three years such networks marketed by the European electro-products group of Beckman have been made at the company's plant in Fullerton, U.S. The Glenrothes plant will now manufacture the complete range of SIP networks with any number of pin outlets in addition to the DIP (dual in-line package) networks already produced in Scotland.

Production at the plant is currently being reorganised under a resistor network department and an area has been prepared to take the new equipment. This includes screen printing machines, firing kilns, laser trimmers, moulding presses and automatic testers.

● TELEVISION

Canada has fun with games

CANADA'S Federal Department of Communications has announced that it is to set technical standards for home TV games.

These devices, reported to have a market in the order of 500,000 units a year in Canada alone, have enjoyed a rapid growth in popularity during the past two years. They generate mini TV signals of their own, which are fed to the antenna terminals of TV receivers through a transfer switch that allows the TV game player to select either regular TV programming from his antenna or the game, and cable TV where available.

The problem is that improper design or connection of these switches, and other characteristics of some models, can cause interference to other TV sets or radio services in the vicinity of the game. Signals from this can leak into cable systems or home receiving antennas, be carried on power lines or be radiated from the game itself.

Canadian Government standards will set limits for normal output signal levels from games; isolation requirements for transfer switches; maximum permissible radiated signal strength from the devices themselves, and maximum radio voltages to be allowed on game power cords.

● METALWORKING

Automatic panel bender

THE SALVAGNINI P-4 automatic panel bender will be shown for the first time in the U.K. at Metalworking 78 (NEC, Birmingham, April 20-28).

It can produce up to 20 bends on the four sides of a rectangular panel, with a floor-to-floor time of 55 seconds. For a panel with eight bends the time is 34 seconds.

Panel size range is 170 to 1000 mm wide by 410 to 2000 mm long. Its fast operation makes the machine suitable for small to medium production runs.

Marketing in the U.K. is by Lomir International, Whitchurch, Ross-on-Wye, Herefordshire HR9 6DJ (060081 777).

● REFRIGERATION

Workers kept cool

MOLE AIR is the name given to a mini-refrigeration unit developed by Denco Miller. It is intended for applications where work has to be carried out in confined spaces with high ambient temperature and humidity.

The boxed unit can be easily carried by two men, and requires 110V 50Hz supply. It is rated at less than 4kW, at ambient temperatures up to 115 deg F. To cool the enclosed space, a small fan coil unit is taken into the area at the end of refrigeration hoses connected to the main compressor.

More from the maker at PO Box 11, Holmer Road, Hereford (0432 68151).

● SAFETY

Approval of a dust helmet

AIRSTREAM, the anti-dust helmet developed and manufactured by Racal-Amplivox Ltd. has received official approval from Britain's Health and Safety Executive.

Airstream combines head, eye, face and lung protection in one unit and has been tested over a period of one year by the Executive in its own laboratories and in a British Steel Corporation foundry.

Many thousands of these helmets are already in use in areas from agriculture to civil engineering. This new acceptance extends the use of the product to certain specified areas where its approval by the Health and Safety Executive is mandatory.

The British approval of Airstream follows closely acceptance by the Health and Safety authorities in Scandinavia. The product is currently being sold into over 20 countries.

Racal Amplivox, Beresford Avenue, Wembley, Middx. HA0 1RU.

Lighting and insulation standards

FIRST SPECIFIC international agreement in a highly complex field is a Guide for Determining the Effects of Ionising Radiation on Insulating Materials—Radiation Interaction, published as Part One of Publication 544 issued by the International Electrotechnical Commission, 1 rue de Varembé, 1211 Geneva 20, Switzerland. It is intended to provide world-wide standards for manufacturers, particularly in the nuclear, medical and communication fields, and covers the effect of high energy electromagnetic, neutron and electron radiation.

An industry standard for the Construction and Performance of Battery-Operated Emergency Lighting Equipment has been published jointly by BEAMA and the Lighting Industry Federation. The two bodies have also established a joint Industry Committee for Emergency Lighting. Copies of the industry standard (£5, A4, 62pp) are available from either body on 01-437 0678 or 01-636 0766.

The Management Page

EDITED BY CHRISTOPHER LORENZ

Simplifying a company's obligation to shareholders and employees

IN A little-noticed section of the White Paper on the conduct of company directors, published last November, the Government said that under its proposed legislation, directors would "be required to send the annual *report and accounts to all* employees as well as shareholders." This extraordinary suggestion appears to negate the valuable work that many companies have put into the development of simplified reports for employees.

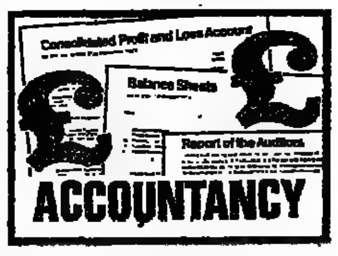
It is not clear whether, under the proposed legislation, the full report and accounts would have to be sent to overseas employees or merely those in the U.K. If the requirement extended to overseas employees, would an English language edition be sufficient? In either case, the additional cost of printing and distribution would be substantial. For instance, Imperial Group sent out some 200,000 copies of its 48-page annual report last year. An additional 90,000 copies would have been required if these had been sent to all U.K. employees, and a further 10,000 if overseas employees had been included.

It is doubtful whether many *employees would benefit from* the receipt of the full annual report — which is tending rapidly to become an information package designed for professionals. Successive Companies Acts have increased the disclosure requirements and this process has been reinforced by the activities of The Stock Exchange, which asks for additional information for listed companies: and of the accounting bodies, which have issued a stream of recommendations since 1971.

The result is that, instead of a simple balance sheet and profit and loss account, most listed companies' annual reports now contain two balance sheets (one for the parent and one for the group) and up to four statements showing the results of the year's operations (an historic cost profit and loss account, a current cost profit and loss account, a sources and applications of funds statement, and an added value statement) together with several pages of notes and other information. How many people could honestly say that they fully understand the difference between these various statements?

And this is not all. In the Green (discussion) Paper on the future of company reports, published last July, the Government mentioned a number of addi*tional features that it proposed* larger companies should include in future annual reports. Apart from making added value statements and sources and applications of funds statements compulsory, and requiring more detailed disaggregation of companies' activities by type of business and geographical area, the proposed rules would require the publication of additional information about such subjects as manpower, short-term borrowings, leasing, obligations to pension funds, transactions in foreign currencies, and international trade. In addition, consideration is being given to making it a requirement to publish information about research and development expenditure, energy usage, and "future prospects."

Most, if not all, of the new disclosure requirements are intended to apply to larger companies only. It was tentatively suggested that these would be defined as companies employing more than 500 people or with a turnover of more than £5m.



Martin Gibbs outlines the case for allowing directors to send shareholders simplified reports unless they request more detailed accounts.

Amplifying the proposals in a speech in October, Mr. Stanley Clinton Davis, Under Secretary of State at the Department of Trade, said that there might eventually be a three-tier system of reporting in the U.K. This would involve a shorter form of report than at present for small companies, a somewhat extended version of the present requirements for medium-sized companies, and "comprehensive reports and accounts for larger companies."

The suggestion that there should be less stringent reporting requirements for smaller companies is a welcome one. Nevertheless, it seems that larger companies' reports are destined to become even more complicated than they are at present. The prospect that an increasing amount of EEC legislation will have to be incorporated in U.K. company law is likely to complicate company reports still further. In particular, the Fourth Directive on company law will include detailed rules governing the format and content of company accounts.

Because of the increasing complexity of the full reports, many companies have begun to produce simplified reports for employees. The extent to which this practice has developed is shown by the fact that there were as many as 250 entries in Accountancy Age's recent competition for the best employee report. The principle is thus emerging that the full reports are for the shareholders and that simplified reports should be provided for employees. I believe, however, that the important distinction should not be between the needs of investors and employees but between those of sophisticated and unsophisticated users of company reports —whether shareholders, employees or some other category.

The great majority of employees must clearly be regarded as unsophisticated users. If they differ from other users of company reports it is because they have an additional interest in information relating to their particular place of work. In a survey of its employees, carried by Laporte, the items regarded as "very interesting" by the largest number of respondents were future prospects (91 per cent.), site information (84 per cent.) and group profit/loss (82 per cent.). Overall, 88 per cent. of the respondents found the 1976 employee report "satisfactory."

However, at the other end of the scale, trade unions can be very sophisticated users of the full report and accounts. The detailed study which the Transport and General Workers' Union made of the last accounts published by the Ford Motor Company is an example of this.

The same distinction applies in the investment world. Institutional investors and analysts have an almost insatiable appetite for information to help them in their job of understanding what has happened to companies in the past and, more importantly, how these companies are likely to perform in the future.

However, it appears that many private investors find modern reports too complicated. A survey recently pub*lished by the Institute of* Chartered Accountants in England and Wales ("The Private Investor and the Corporate Report," by Lee and Tweedie) found that 53 per cent. of private investors would welcome some form of simplification. A Swedish survey by Volvo showed that, given a choice, 47 per cent. of shareholders would opt for a simplified version of the annual report.

I believe that they should be given such a choice. This would mean changing the law in the opposite direction to that proposed by the Government. Instead of requiring the full report and accounts to be sent to all employees, directors should be allowed to satisfy their existing obligation to report to shareholders (and any future obligation to report to employees) by sending simplified reports unless the more detailed reports were *specifically requested.*

This is not such a revolutionary proposal as it may appear. A precedent already exists in the U.S., where much of the detailed information required by the Securities and Exchange Commission (for example, replacement cost data) can be shown in the 10-K statements which are filed with the SEC and sent only to people who specifically request them.

There would be legal and administrative problems in making the change. The law would presumably have to specify the contents of each report. Both sets of accounts would probably have to be audited, to ensure that they gave a true and fair view, and companies would have to keep records of which type of report each shareholder wanted.

It would also be necessary to ensure that those who opted for the full reports received all the information that the company was prepared to publish. *There have been examples in* the past where significant information published to employees did not appear in the report and accounts sent to shareholders. One way of avoiding this problem, if there were any doubt, would be to send both reports to those who asked for the full package. Many companies do this already.

Provided the simplified reports were clearly presented and avoided too much gimmickry, the advantages of increased understanding should outweigh the disadvantages of producing two different reports each year and it is probable that increasing numbers of companies would decide to do this.

Time is, however, running out. The Government is committed to introducing a Bill this session, possibly this month, to implement the EEC Second Directive, which requires all companies to be designated as either public or private. The proposed legislation on the conduct of directors, including the requirement to send the full report to all employees, could be included in this Bill. Those who share my belief that simplified reports would be more appropriate in many cases should therefore make their views known as soon as possible.

Although the accounting bodies have expressed themselves as broadly sympathetic to the idea of simplified reports for shareholders, and are conducting research into the question, my views as expressed in this article are personal, and are not necessarily shared by other members of the Accounting Standards Committee.

Martin Gibbs is the senior research partner of stockbrokers Phillips and Drew, and has recently joined the Accounting Standards Committee.

Rewarding news for managers

MANAGERS who bemoan their financial lot may be cheered by the latest survey from Reward*, which produces four-monthly reports of executives' pay and conditions. Things are getting better, it says: so much so that the middle and junior executive may expect an increase in living standards of between 5 and 10 per cent. in the 12 months to the end of 1978, assuming the much heralded tax cuts arrive in the April Budget.

The Reward survey of 31,000 professional and executive staff shows an annual increase in earnings to February this year of 8.4 per cent., a figure appreciably lower than the 10.5 per cent. increase in the National Average Earnings Index over the same period. But of that 8.4 per cent. increase 5 per cent. was in the four months since October. "A simple extrapolation of this figure shows salaries increasing by 15 per cent. in the year to October 1978," says the report.

The improvement in the standard of living of managers can be accounted for mainly by falling costs and tax concessions, but as the survey points out, qualified and professional staff benefit disproportionately from the reduction of mortgage interest. A middle manager earning £7,500 only needs a 1.2 per cent. increase in gross salary for the year to February to maintain his standard of living.

The hypothetical manager on £7,500 receiving the average increase of 8.4 per cent. in the year will be £500 better off, says the survey.

While pre-tax differentials between managerial staff and operatives continue to be eroded the plight of managing directors is even worse. Their salaries, according to Reward, have risen by 6 per cent. in the last eight months compared with 6.3 per cent. for the full index and 7 per cent. for the National Average Earnings Index. "This of course means that the after-tax take-home pay of those carrying the greatest responsibility is again seriously eroded compared with average earners," says Reward.

The yawning gap between salaries paid by large companies compared with those paid by small enterprises has closed considerably. In 1975 Reward found that large companies were paying 20 per cent. more than the national average but only 16 per cent. more in 1976. This trend has continued and major companies now only pay 8.5 per cent. more than average. There is one caveat: larger companies are tending to substitute company cars and other benefits for straight pay increases.

SALARY TRENDS BY JOB CATEGORY

Job Category	Median Age	Median Salary	Median Annual Increase
General Manager	45	7,000	600
Accountant	32	3,500	425
Systems Analyst	31	4,550	350
Personnel Manager	35	4,900	700
Training Manager/Officer	38	4,300	325
Marketing Manager	37	5,600	700
Sales Manager	40	5,200	500
Production Manager (Engineering)	39	4,800	500
Production Manager (Non-Engineering)	36	4,700	500
Quality Controller	37	4,250	450

Source: Reward Survey

But it does appear that small companies have increased executive and professional salaries faster than average over the past 2½ years of pay restraint, it says.

Executive unemployment has fallen since the last Reward survey was published in October last year from 75,000—a figure bolstered by the autumn graduate influx—to 69,000. "Much of the 6,000 decrease will be due to the recruitment of the seasonal graduate bulge and we estimate that unemployment for experienced executive and qualified staff has remained static," says Reward.

On fringe benefits Reward notes that executive overtime is becoming a serious issue for many companies. It says that many shopfloor workers who *work overtime are significantly* better off than their staff colleagues who put in additional hours for no extra money.

On another point, the much complained of differential between public and private sector pay levels would appear to be on the wane. In a survey of its members the Institution of Electrical Engineers found that the median earnings for fellows and members in the public sector were £840 above their colleagues in private industry. Last year the difference was £1,180.

**Reward 9 is published by Reward Regional Surveys, 1, Mill Street, Stone, Staffs, ST15 8BA. Annual subscription £54 (inc. VAT) for three issues.*

Jason Crisp

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Capital gains in gilts

I bought three tranches of £2,000 of Treasury 11¾ per cent. 1991 in June, July and August last year, and last month another of £1,000. As the anniversaries come along, shall I be able to sell the appropriate *amounts on a first in, first* out basis? I see by Section 59 Finance (No. 2) Act, 1975, that special rules apply where a person who holds Government stock buys further holdings and then makes a disposal. Could you enlighten me on this?

Any sale within 12 months of your latest purchase will produce a chargeable gain (or potentially allowable loss). Briefly, the rule in paragraph 7 of Schedule 10 to the Finance Act, 1971, may be described as first-in-first-out looking back only 12 months. For example, if you sold £3,000 nominal on June 15, 1978, you would be deemed to have sold the £2,000 which you bought on July 21, 1977, and half of the £2,000 which you bought on August 1, 1977.

Unless you realise a potentially allowable loss, you need not trouble about Section 59 of the Finance (No. 2) Act, 1975, which merely extended the loss-restriction rule in Paragraph 9 of Schedule 10 to the Finance Act, 1971.

Uncollected goods

With reference to your reply under uncollected goods (Jan. 25), do you not agree that the Disposal of Uncollected Goods Act 1952 has been repealed by the Torts (Interference with Goods) Act, 1977, the relevant provisions came into effect on January 1, 1978? Among other differing provisions, there is no longer a requirement to display notices in shops and the period after which goods may be sold is much reduced.

We agree that the law as stated in our reply was as it stood under the former statute before 1 January 1978. The Torts (Interference with Goods) Act 1977 now makes simpler provision in respect of goods which are bailed but it does not apply where the goods were bailed before the commencement of that Act (Section 13(9)): hence our reply setting out the old law.

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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LOMBARD

Hogs, houses and mobile labour

BY ANTHONY HARRIS

SCHOOLBOYS are no doubt still taught it as the pig cycle, the Americans know it as the hog cycle, but really the prime example in this country is the housing cycle. The mechanism is one of the best-known in economic theory: pigs take time to breed and houses take time to build, so there is a tendency for breeders and builders to get out of step with the market. When there is a surplus, breeding and building come to a stop: when demand recovers and prices rise, it takes a year for the industry to catch up. Those out of step make fortunes.

Rationing

This, though you would hardly know it from what is being said, is the simple background to the present row about whether the Government should or should not instruct the building societies to ration their lending for a time while the supply of saleable houses catches up with the supply of funds to buy them. What Mr. Peter Shore and his civil servants want to do is to dam up demand for a period, and so get supply and demand in step. It sounds, on the face of it, an eminently sensible idea: and if it is sensible at all, it would be even more sensible if it were taken out of politics. Building societies are getting more and more like banks, as the clearing banks are now complaining, and the Bank of England could readily devise a specially tailored corset or a suitable kind of special deposit to smooth out the flow of funds.

The dream of a housing market in which prices were stable and funds were always available to finance the sale of the available houses is such an attractive one that people are reluctant to ask themselves if the aim itself is sensible. The builders, even while they object to the plan for rationing mortgage funds, argue instead that Mr. Shore should rather be taking steps to get more houses built (how?) and to free more building land, and so presumably enable the supply to respond effortlessly to the feast-and-famine cycle of mortgage funds. The proposal has only to be stated to appear absurd: unless builders have an undisclosed genius for financial forecasting, prices would still rise and fall in response to the financial cycle, just as they do in countries where planning restrictions are far less onerous.

The admission the builders are trying so hard to evade is that it is the rise in prices which follows a large rise in mortgage funds which gets the industry moving. Housing is regarded so much as a social service these *days that it is no longer decent* to say that the industry is in it for profit. Unfortunately the terms of the argument tend to reinforce the delusion in the Department of the Environment that an industry can be expected to accommodate itself to large swings in demand without any message conveyed through the pricing system.

What both sides seem to be forgetting is that the demand for housing would fluctuate widely even if an ideally stable source of finance could be devised, just as the demand for all durable purchases varies. The commitment to a mortgage requires confidence: house-buying is postponable in hard times. Stability in the house market is a chimera.

It is not only a chimera, but an undesirable one. The house-building cycle has two very helpful features. First, demand is highly sensitive to interest rates, which means that housing demand can usually be relied on to spark off an economic recovery. At a stage in the general cycle when industry is still reluctant to invest very much, the building society movement mobilises savings on a large scale, and so helps to stabilise the economy as a whole. Secondly, housing is a very labour intensive industry. A rise in demand creates jobs; overheating, which drives up interest rates and starves the building societies of funds, tends to release labour when it is getting scarce. The Treasury in its wisdom used positively to welcome the sluggish response of the building societies to general movements in interest rates, because funds as well as labour are released in this way when they are needed, and mobilised in slumps.

Technical

Of course it is possible to have too much of a good thing, and interest rates have risen and fallen so spectacularly in the present cycle that it is not surprising that building societies' inflows have been even more feast-and-famine than is usual; the movement seems privately to agree that some sort of smoothing operation may now be in order, though not perhaps the number that Mr. Shore first thought of.

What remains is a debatable technical question about finance, which could be settled by technicians. It will certainly not be solved as long as both sides talk nonsense about price stability, which is both unattainable and undersirable.

Disguising the ravages of elm disease

GARDENS TO-DAY

BY ROBIN LANE FOX

I CANNOT be alone in wondering how best to conceal old tree-stumps. "Coldly, sadly descends the autumn evening . . . And the elms Fade into dimness apace, Silent." Too true, and the spring is not likely to help them back to life. Over ten million trees are now dead. Counting up the split trunks and saplings which protected my vegetable garden, I am *alarmed that no less than* twenty-one will have to come down this week, all of them tall, none of them thick. The telephone wires on one side are removable at no charge, thanks to the GPO. The electricity cable on the other is still under heated debate, a fee being demanded by the Electricity Board, though if they have failed to pay you, too, any rent for their poles over the past few years, there is a strong case for the cable being legally transferable anyway.

What, though, to do with the remains of the trunks? Having relied on elms as a screen, I intend now to cut them off some five or six feet above the ground. There is little hope that they will throw up new growth at that height and personally, I doubt that the young shoots from the roots will be ignored by the beetles (as some believe) when they mature. I intend, instead, to attack the shortened trunks as if they were an architect's eyesore and use them, dead, as a background for something more alluring. It is not possible to interplant new trees, as the old stumps are so close together, a frequent complaint from readers. We *can smother them, instead*, by planting creepers or climbers.

The elm's decline must be the rambler rose's opportunity. I have hesitated in the past to imitate our famous gardens and loose these rampant roses into old fruit trees and so forth, because the roses tend to kill the fruit trees if they take to their task as smotherers. I hesitate, too, to plant these very strong varieties against a house wall, partly because of the gutters above, partly because the pruning and training of rampant roses is the job which catches me at the least convenient seasons and which I would willingly avoid.

How often gardeners move to smaller gardens in order to save labour, then plant twice as much in a small space, especially on the walls of their houses. But if you give these ramblers their head on an old tree trunk, you have less to look after. They will have to be tied in with hoops of wire until they reach a height of six feet or so. If you have left a rough head of old branches they will take their own hold among them. If not, they will intertwine with one another. These rampant roses, then, are the best cover for a line of old elm-trunks. They will have to go along my line of twenty-one.

Which should you choose? Rose Filipes Kiftsgate is the famous one, some 40 feet high, white flowered and as heavy as some hanging curtain, once it takes a hold. You should plant it two or three yards away from the base of your tree, such is its vigour. For a dead trunk, however, I would not recommend it: it is simply too strong where there is no canopy of branches to support it. If you want a small-flowered white one, buy the Garland instead. Still listed by Murrells of Shrewsbury, this semi-double white rose is very pleasantly scented and will not trouble you by growing above a height of 12 feet. To that point, it is strong and reliable. The buds are that happy shade of pinkish-white, the same sort of colouring as you enjoy in the small shrub rose now sold as Little White Pet. Once you have seen old photographs of it in Edwardian small-holders' gardens, down among the chicken-coops and blackcurrant bushes, you will always place it as a cottage-garden plant. But it is a strong rose, well up to a dead elm trunk.

The pink Albertine and the white, nearly-evergreen Alberic Barbier are well known to you by now and I will only say again that they throw out such a thick canopy of branches, so quickly maturing, that they can support their own weight when they intertwine. Again, they have to be trimmed so as to point in the right direction. The lovely single White Seagull is too vigorous for dead trees, though *excellent, if stifling*, in tall, ageing ones. You can keep control, however, of Wedding Day, perhaps not the most handsome if considered flower by flower, but exceptionally easy to please, it is abundant in its sheets of white, pink-white and yellow flowers. The latter have nothing in common with those multi-bunda Raspberry Ripple varieties which change to colours to match the traffic-lights on municipal roundabouts. Wedding Day's open white-yellow, fade to white, then pink-white as they age, never clashing too severely.

As a rose for banks, sheds, bunkers, neighbours and old kennels, Wedding Day is prolific and reliable. It will increase easily from shoots stuck down to half their length in a shaded sandy trench in late July. I am surprised that those with boundaries do not use it as thickening more often. If you merely plant it in the ground and leave it to sprawl into tangle, it is most effective. It was raised on the chalk garden at Highdown, and hence is well suited to alkaline Hampshire banks. It is called Wedding Day because it was bred on Stern's own wedding-date, a day which I find, from the breeders' book, to be mine too. That is not, however, the reason why it has flourished wherever I have put it and come up with a bouquet of barbed roses in late June. It is strong and dependable anywhere.

There are other possibilities, not least the rampant white Clematis, or Travellers' Joy, which drapes itself admirably over dead stumps and ageing hedges. No doubt, gardeners should be ruthless and rip out every trace of a past hedge, if dead and useless. But when it dies as suddenly and massively as in last year's elm disease, there is sense in patching a rough screen together from the remains of what remains.

Funny Baby should land Newby Chase

RACING

BY DOMINIC WIGAN

A FALL at the third from home robbed Funny Baby of victory in the Galloway Braes Novices' Chase at Kempton last time out, and barring a similar mishap, to-day's Newby Chase at Catterick should be at the brown mare's mercy.

Funny Baby was going impressively when she lost her balance. Her jockey, Michael Dickinson, said later: "She would have trotted up. I gave her an easy on the bend and I was taking matters too much for granted."

If George Fairbairn's mare has shaken off any ill-effects of that tumble, she should find little difficulty in beating the course specialist, Wylam Boy, to whom she concedes 3 lbs.

Two other possible winners for Dickinson are Angel Clare and I'm a Driver, both trained by his father, Tony. The former won at Market Rasen and Doncaster before an uncharacteristic fall, but has since returned to outclass Soutra in the South Shields Chase at Sedgefield before giving Mr. Snowman a stone and a 21-lengths beating in Friday's Forbra Gold Cup, at Ludlow.

Angel Clare should be able to take advantage of the 3 lbs. he receives from the in-form course and distance winner, Tregarron, in the Busby Chase.

I'm a Driver, two-lengths conqueror of the odds-on Flame Gun at Punchestown in December before finishing a respectable second on his first appearance in this country, has nothing of quality to beat in the 24-runner second division of the Hornby Hurdle. He appeals as a worthwhile bet.

The possibly under-rated Admetus goes for the opener at Worcester, the first division of the Ferry Novices' Hurdle. The 1974 Washington International winner has done little in three outings over the hurdles. But Fred Winter has faith in him, and I hope to see him realise his potential here with a clear-cut victory over the likely favourite, Hallodri.

An extension to the 1978 Fillies' Premium Scheme, to include payments to owners of British-bred two-year-old fillies which win or are placed in Pattern races open to colts and fillies, has been announced by Sir Desmond Plummer, chairman of the Horserace Betting Levy *Board*.

Under the original scheme, owners of British-bred winners of all two-year-old fillies races, except selling or claiming races with an advertised value of £1,000 or more, will receive an additional 50 per cent. of the guaranteed prize money for the race.

In Pattern races for two-year-old fillies only, the premium will be divided to give the winner 35 per cent., the second 10 per cent., and the third 5 per cent. The scheme is being financed by a special Levy Board grant of £170,000.

KETTERICK

2.45—Funny Baby*
3.15—Great Echo
3.45—Angel Clare
4.15—Sun Lion
4.45—I'm a Driver**

WORCESTER

2.00—*Admetus****
2.30—Vido
3.00—Palace
3.30—Herminius
4.00—Happy Ranger
4.30—Blue Braes

Stonehenge work starts

WORK WILL begin at Stonehenge on March 15 on the month-long job of removing the nine-year-old gravel surface in *and around the circle and re*turfing the area. Visitors will not be able to go within the bank and ditch around the circle, the Environment Department said.

Carnation Wightman sponsors

TENNIS

BY JOHN BARRETT

THERE WILL be a new sponsor for the 50th Wightman Cup match—the annual team competition between the women of Britain and America—to be played at the Royal Albert Hall *from November 2 to 4*.

Carnation Foods, the Los Angeles-based canned milk to pet food group, will provide prize money of $50,000 to be divided two-thirds to the winners and *one-third to the losers*.

Mr. Bob Laird of Carnation said that the company would *gauge the value of this venture carefully before exercising the* options it had been granted by the LTA to stage the Wightman Cup on the next two times the matches will be held in Britain in 1980 and 1982.

This will be the first time the tournament has been staged at the Albert Hall. Two years ago at the Crystal Palace record crowds witnessed a 5-2 U.S. *victory*.

There is every prospect that the 4,300-seat Albert Hall will be filled if, as expected, Chris Evert, Billie-Jean King and Rosemary Casals are included in the United States team. There is even a possibility that the Czech Martina Navratilova, an American citizen, might be chosen.

Last year in San Francisco an average of 11,000 spectators a day saw the Americans record a 7-0 victory against Virginia Wade's team, scoring their 40th win in the series which started in 1923. British teams have succeeded only nine times—the last being a 5-2 victory in Cleveland in 1975.

The fact that there will be *international women's* tournaments in Brighton and London in the two weeks before the Wightman Cup matches gives every hope that both teams will be at full strength.

Spanish coin fetches £10,500

SALEROOM

ANTONY THORNCROFT

A sale of English, foreign and ancient coins totalled £60,019 at Christie's yesterday. The day's top price of £10,500 (five times the estimate) was for a Regency 5 peseta coin, dated 1869, from Madrid, of which 100 were minted.

It was bought by Bord, the London dealer, against strong Spanish competition. A similar lot, dated 1868-70, went to Duran, a Spanish dealer, at £7,200.

In Italian coins, a gold Osella dated 1762 went to Bord for *£2,300. The Osella was tradition*ally given out by the Doges of Venice as a New Year present. Cayon, the Spanish dealer, paid £1,000 for a gold Pentadrachm dated 284-247 BC from Egypt, and an anonymous bidder gave £800 for an Edward III Noble from the 14th century.

A sale of drawings and water colours totalled £18,459. An anonymous bidder paid £880 for *The Old Kensington*, signed and dated 1930, by Jack Spurling, and the Rutland Gallery, London, paid £550 for a pen-and-ink water colour of *Shipbuilding on a River*, English School.

At Bonham's, items of Australian silver featured in an auction which totalled £16,405. An Australian collector gave £800 for an Australian centrepiece, c. 1880. A silver mounted emu egg fetched £200 and a similar pair £480. A George IV tobacco pipe sold for £180.

Stanley Gibbons' auction of paper money realised £18,200.

Top price was £1,200, against an estimate of £950, for a Boer War siege of O'Okiep 10 shilling note dated May, 1902.

Also from South Africa, a Siege of Mafeking £1 note of 1900 *fetched* £675. A printer's proof of a 19th-century £1 note of The Glasgow Banking Company sold for £180.

*

In Frankfurt on May 18, Stanley Gibbons is to auction probably the finest collection of stamps it has ever handled and certainly one of the best national collections asembled.

It is a collection of Classic Brazilian stamps covering the period 1843-66 and acquired over the past 14 years by a renowned millionaire collector.

The collection should bring £350,000. It is so comprehensive that its owner has little incentive to carry on adding to it and has now switched to buying Finnish stamps.

It is particularly interesting that Brazil was the second country (after the U.K.) to produce adhesive postage stamps, in 1843.

Brazil's very rare early issues have been appreciating rapidly in value, and the growth of collecting in Brazil, as well as in Germany, which has always maintained close ties with Brazil, should ensure high prices at the auction.

Most valuable lot is a sheet of the 1843 issue of the 60 reis, estimated at £50,000. Known in the philatelic world as "Bull's Eyes," the stamps are very rare.

Another rare item is a letter sent from Rio to London in 1844 carrying a pair of 90 reis "Bull's Eye" stamps. It could make £4,000.

Question time for radio

THE PRIME MINISTER's twice-weekly question time in the Commons will be broadcast live on BBC Radio 4 medium wave every Tuesday and Thursday at 3.15 p.m. after the Easter recess, said the BBC yesterday.

On the day Parliament reconvenes regular broadcasting of it will include the whole of question time from 2.30 p.m. to 3.30 p.m., also on Radio 4.

"To-day in Parliament" will be broadcast at 11.30 p.m. on the same waveband. "Yesterday in Parliament" will run from 8.35 a.m. to 9.00 a.m. on Radio 4, with alternative broadcasting on VHF from the summer.

Some full debates, Government statements and other reports of question time will also be carried on Radio 4 VHF from time to time, according to their public interest.

The BBC says that regular reports, including recorded extracts of proceedings, will be included in BBC radio and television news and current affairs programmes every day by BBC local radio and regions.

BBC Radio London will broadcast a nightly question-time report. The first live broadcast of a Budget speech by the Chancellor will be on Radio 4 on Tuesday April 11.

New factory for Drillturn

Drillturn Engineering has moved into an 5,000 square foot advance factory built by English Industrial Estates Corporation for the Department of Industry at Victoria Road, Hebburn, Tyne and Wear.

The company is engaged in precision and general engineering and needs the larger *premises to expand production*. It expects to employ an additional 15 people in the next year or two.

A spokesman said: "This additional space more than doubles our capacity, and will enable us to expand once again. In the past two years we have not been able to meet the demand for our services."

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40 a.m. Open University. 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Mister Men. 2.01 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Screen Test. 5.00 John Craven's Newsround. 5.05 Grange Hill. 5.35 Ludwig. 5.40 News.

5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.50 The Wednesday Film: "Five Man Army."
8.30 The Liver Birds.
9.00 News, including report on world's biggest LSD ring.
9.25 The Hong Kong Beat.
10.15 Sportsnight.
11.05 To-night.
11.45 The Sky at Night.
12.05 a.m. Weather/Regional News.

All regions as BBC 1 except at the following times:

Wales — 2.18-2.38 p.m. For Schools. 5.05-5.35 Bilidowcar. 5.55-6.20 Wales To-day. 6.50 Heddiw. 7.10 Young Musician of the Year. 7.40-8.30 The Rockford Files. 8.30-9.00 The Liver Birds. 11.45 News and Weather for Wales.

BBC 2

6.40 a.m. Open University.
10.20 Gharbar.
10.45 Parosi.
11.00 Play School.
11.25 Open University.
4.53 p.m. Open University.
7.00 News on 2 Headlines.
7.05 Making Union Democracy Work.
7.30 Newsday.
8.10 Brass Tacks.
9.00 It's Patently Obvious.
9.30 A Most Public Affair.
11.00 Arena: Cinema: "Close Encounters of the Third Kind."
11.35 Late News on 2.
11.45 Closedown: Stephen Thorne reads "I had a duck-billed Platypus," by Patrick Barrington.

LONDON

9.30 a.m. Schools Programmes. 12.00 Cloppa Castle. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Hadleigh. 3.20 Paint Along with Nancy. 3.50 Couples. 4.20 How. 4.45 Pop Quest. 5.15 Emmerdale Farm. 5.45 News. 6.00 Thames at 6. 6.25 Crossroads. 7.00 This Is Your Life. 7.30 Coronation Street. 8.00 The Streets of San Francisco. 9.00 Send in the Girls. 10.00 News. 10.30 Lawrence Olivier Presents The Best Play of the Year 1980: "The Collection." 11.45 World Snooker. 12.15 a.m. Close: Leonard Pearcey reads a poem by Louis MacNeice.

All IBA regions as London except at the following times:

ANGLIA

ATV

BORDER

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

SOUTHERN

TYNE TEES

ULSTER

WESTWARD

YORKSHIRE

RADIO 1

RADIO 2

RADIO 3

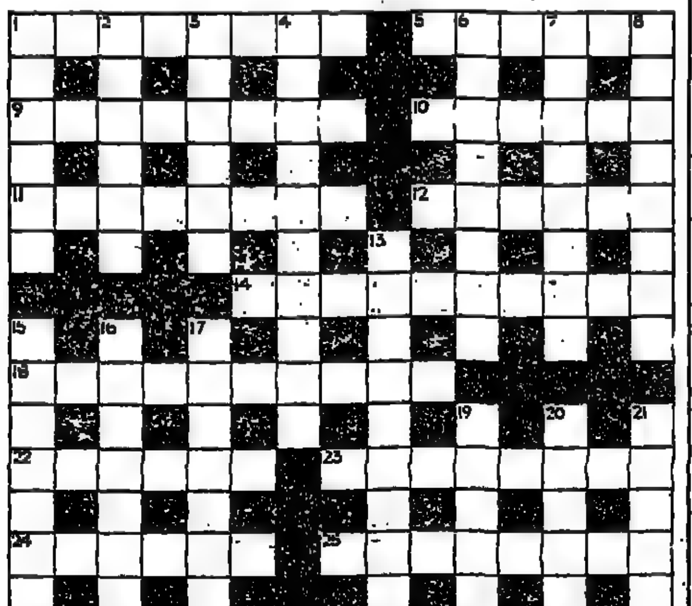
RADIO 4

BBC Radio London

London Broadcasting

Capital Radio

F.T. CROSSWORD PUZZLE No. 3,612



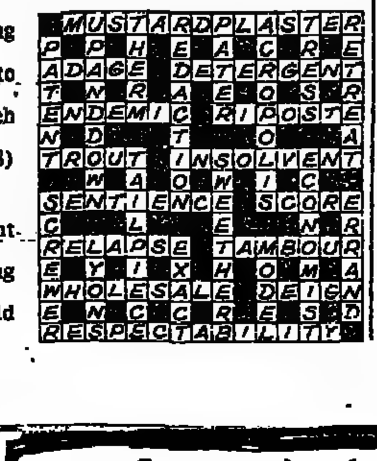
ACROSS

1 Trip in autumn concluded (4, 4)
5 Wood household god takes for masonry (6)
9 Refusal for example to enter country (8)
10 Odds on shower causing injury (6)
11 Bit of Lear made up by Tree before 10 (8)
12 Speak falsely of French leader concerning religion (6)
14 Apparent reminder to visitor looking round Salisbury (5, 2, 3)
18 Only drinking water being carried by lorry (2, 3, 5)
22 Ted out to disturb Italian twosome (6)
23 Desire to make father return femininely dainty (8)
24 Painter seen in Reading restaurant (6)
25 Reporter with intelligence to peddle goods (8)
26 Esme shattered about church plan (6)
27 A neat keeper on the farm (8)

DOWN

1 Show-stopping number (6)
2 The French stick to key plant (6)
3 Protest from appealing cricketer (6)
4 Suitable anchorage for an old school tie (4, 6)
6 Composition test Pete made a mess of (8)
7 Flies eat concoction with most foliage (8)
8 Manage to hinder chase (3, 5)
13 Unimportant part for a knight for instance (5, 5)
15 Suitable gains on the sands (8)
16 Without omitting anything eventually (2, 6)
17 When a university student lives on borrowed time (4, 4)
19 Let beginner relieved from pain ... (6)
20 ... allay suspicions of Danish leader over one southern member (6)
21 Signal stream to continue (6)

Solution to Puzzle No. 3,611



COMPANY NOTICES

Ford

BEARER DEPOSITARY RECEIPTS

Following the DIVIDEND DECLARATION by the Company on 12th January 1978 NOTICE is now given that the following DISTRIBUTION will become payable to Authorised Depositaries on or after 13th March 1978 against presentation to the Depositary (as below) of Claim Forms (obtainable from the Depositary) listing Bearer Depositary Receipts.

Gross Distribution per Unit	4.00 cents
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Converted at $1.95	= £0.017436 per Unit

DEPOSITARY
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Stock Office Services
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6th March 1978

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March 7, 1978

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FINANCIAL TIMES SURVEY

Wednesday March 8 1978

German Banking

Relatively sluggish demand from industry has not prevented the West German banks from enjoying another good year. Much of this successful performance can be attributed to their increasing initiative in foreign operations.

Flourishing despite economic chills

By Guy Hawtin, Frankfurt Correspondent

A GLANCE at the West German economy at the end of 1977 could well have led the casual observer to the conclusion that the Federal Republic's banks were having a bad time. In fact the reverse was true—1977 was yet another year in which the banks out-performed industry as a whole by a very long way.

Last year the Gross National Product grew by a disappointing 2.5 per cent. or thereabouts. Banking profits, however, went up far more steeply. Although most banks have still to unveil their final profit figures, at the end of the first ten months of 1977 West Germany's big three—Deutsche Bank, Dresdner Bank and Commerzbank — all indicated that earnings were up by at least 10 per cent.

Naturally enough, some banks have done far better than others. But from the returns that are emerging it seems that earnings for the year as a whole will, industry-wide, tend to mirror those of the commercial majors. Moreover, bank shareholders—even foreign holders who have been badly hit by West Germany's corporation tax reform—are likely to have good reason for satisfaction.

Corporation tax reform, which involved increasing the 36 per cent. tax levied on distributed profits to equal the 52 per cent. on retained earnings, means that shareholders' cash payout has on average been substantially decreased throughout industry.

However, the new system for the first time allows shareholders to offset the corporation tax paid on their dividend against personal taxation. The effect of this has been to boost real dividend earnings for investors who pay tax in the Federal Republic. Holders who have no West German taxes against which to offset their corporation tax have in the main seen a heavy decline in earnings.

The message from the big banks, however, seems to indicate that the declines in dividend to be expected for 1977 will be minimal. This means that although the foreign shareholder still remains a second-class citizen in that context, at least the decline in earnings will either be very small or nil.

One of the main factors in the banks' ability to maintain an increasing rate of profit at a time of flat industrial credit demand has been growth in the foreign sector. The German banks did not start building up their overseas operations until relatively late in the post-war period.

Pushed

Until the early 1960s, even after the return of the Deutschemark to convertibility, they had been greatly preoccupied with the reconstruction of the country's devastated industry. Even then it would not be entirely unfair to argue that they were pushed by their customers into flexing their muscles overseas rather than by their own ambition.

However, it was not until comparatively recently that foreign business has played a major role in banking profits. The universal banks' wide-ranging links with West Germany's industry meant that for long the level of demand for industrial credit was a major factor in determining the growth rate of bank earnings.

Last year, as in 1976, that demand was extremely weak as companies channelled their resources into rationalisation and reorganisation programmes rather than embarking on projects aimed at providing new production capacity. This was reflected in the balance sheets of all the banks that have so far reported.

But this was more than offset by a lively demand for funds from the public authorities and a powerful surge in the consumer credit sector. While the savings rate here is still very high and the retail trade as a whole has been as flat as a pancake, the car industry has been doing very well indeed.

Car buying has not been the only reason for high credit demand from private customers. Calls for money for holidays abroad have remained high, although this is not always reflected in the travel companies' figures. There has also been an increase, it appears, in advances to private customers for investment overseas. Although the size of the outflow should not be exaggerated, there have been reports of an increasing number of German citizens investing in the North American property market, where the D-mark buys an awful lot more than it does at home.

Even so, foreign business has remained the king-pin on the profits front. The country's major commercial banks all derive 30 per cent. and more of their profits from the foreign side, while the publicly-owned Landesbanks are also relying on their turnover abroad to generate a growing proportion of earnings. Indeed the largest of them, Westdeutsche Landesbank, obtains about 30 per cent. of its earnings from foreign business.

The Euro-market, a very important area for the German banks, remained very lively and Deutsche Bank, the country's largest, alone managed or co-managed 104 issues in the first nine months of the year. In the first nine months its overall Euro-currency loan volume amounted to \$16.3bn.—not far short of the \$17.7bn. total for the whole of the previous year.

The foreign exchange markets were another important profit centre, although the enthusiasm for trading on own account appears to have long since evaporated. Currently fluctuations of the past year and the early months of 1978 have produced a high turnover and this has naturally been reflected in the banks' commission figures.

Paradoxically, perhaps, not all bankers are happy about the foreign exchange markets. The profit is of course welcome but it is the destructive nature of the movements that are causing concern. "It is a negative business," a leading banker said recently, "one man's profit is another man's loss. There is no alternative to it, but I would be much happier to see the market much quieter despite the healthy commission earnings we are making."

Still there are few hopes of an early end to the world's currency problems, and foreign exchange commission can be expected to flow in during the current year. The stock market also seems set to provide the banks with growing earnings.

West German's universal banking system enables the banks to be by far the most influential operators on the country's stock exchanges. Not only do they act as stockbrokers and investment advisors; they also hold substantial portfolios on their own account as well as managing them for others.

The feeling here is that share values in the West German stock market will continue upwards during the course of 1978. But growth, as Herr F. Wilhelm Christians, joint chief executive of the Deutsche Bank, has pointed out, is likely to be neither uniform or steady. Forecasts are based partly on the moderate increase predicted for GNP and take into account the pressure industry is feeling on the wages front.

While allowances have been made for the steady appreciation in the D-Mark's value, it is still hard to assess the affect of the massive fall in the value of the dollar. However, many bankers here feel that the ability to export is more a question of "export-mindedness" than of low exchange rates. It is therefore open to question whether U.S. industry will become an even stronger competitor in international markets than in the past. The key factor for Germany will be whether its industry will be able to maintain its position vis-a-vis its main European competitors for world markets.

Prospects for German shares are certainly enhanced by low interest rates, although the reform of the West German corporation tax system is still a mixed blessing. While West German shareholders have undoubtedly seen great benefits, the foreign shareholders has often taken heavy cuts in earnings. Bankers are still appealing to the Federal Government to put foreign holders on an equal footing with their German counterparts, but the chances of any change in the situation seem extremely thin.

Buoyant

The West German bond market, which saw a record volume of about DM78bn. last year, is also expected to continue buoyant. It is thought it will be easily able to finance new borrowing of at least DM80bn. this year. Investors who have been flocking to the bond market at the Stock market's expense are not expected to desert it just yet despite declining yields—if only because there is a shortage of other investment opportunities.

On the interest rates front, there seems to be slim prospects of increased margins. But although all bankers agree that margins have been under severe pressure, it seems unlikely that they can be squeezed much further. The strength of the D-mark, coupled with weak demand from industry, means that interest rates will show little improvement. But they are lying at such a low level that a further decline seems highly improbable.

Bundesbank blues

FOR THE Bundesbank, statutory guardian of the value of the West German currency, 1978 has been marked so far by a certain sense of powerlessness, as it has watched the Deutschemark climb ever higher on the world's foreign exchange markets. In the 14 months up to the end of last month the D-mark gained 16 per cent. against the dollar and 10.5 per cent. against the currencies of West Germany's 22 most important trading partners. Since the end of 1972 it has risen 58 per cent. against the dollar and 47 per cent. against the currencies of the 22.

In the West German view, the problem is not—as the British Treasury, for one, has been wont to claim—one of the inherently greater worth of the D-mark or of other hard currencies such as the yen or the Swiss franc. Instead, in the view of the Bundesbank and of the *Federal Government* in Bonn, it is the dollar that has been judged by the world to be weak, because of the fundamental doubts that exist about the Carter Administration's determination to defend it, let alone to achieve the significant cuts in imported energy consumption that might improve the U.S. payments deficit.

At the political level the rest of the world has been treated repeatedly over the past year or so to the spectacle of public wrangling between Bonn and Washington over whether West Germany ought to "do more" as the current phrase has it, act as a "locomotive" for the rest of the world economy. Although both Governments have apparently agreed to differ for the time being, or at any rate until the July summit meeting in Bonn of the major economic powers, there is little sign that basic ideas on either side have been changed.

At the more technical level on which central banks operate, *co-operation is officially described* as good. In January, when the Federal Reserve announced its intention to make active use of its $20bn. network of swap agreements with other central banks, the Bundesbank readily concluded an agreement with the Americans on a substantial new bilateral swap line. Since then, it has been willing, when pressed, to hail the U.S. authorities' more co-operative attitude towards intervening markets in order to smooth out the dollar's downward trajectory and avoid unruly conditions. Such operations have cost *the Bundesbank* itself well over DM15bn. since the present bear market for the dollar gathered force late last September.

Privately, Bundesbank officials seem a good deal less than happy at the present state of relations with the Americans, and not only because of their distress (in common with most foreign central bankers) at the departure of Dr. Arthur Burns from the Fed. As in 1971 and *thereafter, the Germans tend* to feel both that the U.S. expects others to solve its problems for it, and also that it takes its partners' own difficulties insufficiently seriously.

Not surprisingly, the Bundesbank has found itself under considerable pressure to try to contain a situation that has by now become a very serious element of uncertainty in the West German domestic economic picture. At the end of last month, when the dollar for the first time dropped below DM2 on the exchanges, there was much speculation over whether the German central bank would attempt to follow the example of draconian controls that had just been put into effect by the Swiss authorities.

Reflected

In the event the Central Bank Council (the Bundesbank's highest assembly) took no action at all—a decision that seems simultaneously to have reflected *the Germans' philosophical* distaste for "dirigiste" controls, their scepticism about what such steps can achieve, and their sense of bafflement at what can be done by anyone, except perhaps the Americans, for the dollar at this stage.

True, there remains a certain confidence that, given a calm spell in the markets, funds will be moved back across the Atlantic in response to the increasingly wide interest differential between Frankfurt and New York, as happened last year. But many Bundesbank officials appear now to feel that there is little more that they, as only one central bank in a complex and multi-faceted system, can do to achieve this end.

The phrase that "monetary policy has done all that can be expected of it "has indeed been a familiar refrain at the Bundesbank's periodic Press conference, and has been repeated by no less a person than Dr. Otmar Emminger, the president. He has used *it on numerous occa*sions not only to convince international opinion of the German authorities' awareness of their duty to accentuate the trans-Atlantic interest differential but, no less important, to remind the domestic audience too of the limitations that exist on West Germany's freedom of manoeuvre as it seeks ways to underpin a still faltering economy.

For well over a year the authorities have been working to set the sails in such a way as to catch any breath of wind that might blow in the direction of more rapid economic growth. For the Bonn Government, which now sees its forecast of a 3.5 per cent. rise in real Gross National Product in 1978 as "ambitious, yet feasible," this has meant a package of tax cuts expected to be worth DM11.5bn. or more this year, accelerated public sector investments worth another DM6.5bn. and a total public sector deficit of some DM52bn. that pushes against the limits of what is constitutionally permissible.

In terms of monetary policy, Dr. Emminger and his colleagues can point out that interest rates are at their lowest levels since the mid-1960s, while on several occasions within the past few months they have made clear that no resumption of growth in West Germany is going to be allowe tldtofaefor going to be allowed to falter for want of credit. Indeed, in its most recent monthly report the Bundesbank sounded a warning that, if anything, the present high level of liquidity is excessive, even given the recovery in demand for bank loans recorded in recent months.

Dr. Otmar Emminger, president of the Bundesbank.

Should economic activity pick up substantially faster than expected, the Bundesbank warned, there could even be a measure of inflationary pressure in this liquidity "overhang"—though the Government's forecasts show that prices may well slow down to an increase of under 3 per cent. this year, thanks in part to the drop in dollar-denominated oil and other raw material prices when paid in D-marks.

So far there is little sign that the breath of wind is going to be felt, although the Bundesbank's economists have been among those commentators apparently most impressed by the upturn in such indicators as the industrial orders figures at the end *of 1977. As most of* the authorities agree, the uncertainties that weigh on the German economy are unchanged. On the external side these are the dollar's decline and the continued weakness of demand in German export markets, and on the domestic, the consequent reluctance of business to make major new investments, coupled with concern at what may turn out to be a turbulent year for the country's *normally placid industrial relations.*

Guidelines

With all these problems at centre-stage, the Bundesbank has received few kind words this year for its continuing "experiment," now in its fourth year, of setting guidelines for the growth of the money supply. For 1978, it is once again publicly aiming at an 8 per cent. average increase in the central bank money stock (cash in circulation plus adjusted minimum reserves of the banking system). While final figures for 1977 are not yet available, it seems clear that this aggregate once again exceeded the 6 to 8 per cent. target range set for it, reflecting once more the central bank's concern not to endanger the process of recovery by clamping down on credit.

This policy has brought down upon the Bundesbank the wrath of monetary purists, who would have preferred to see a tightened rein on the creation of fresh liquidity, and who claim that the targets have in any case had relatively little influence on wage and price developments, for which the money supply guideline is intended to be a yardstick. To this Dr. Helmut Schlesinger, a member of the Bundesbank's executive Board, retorted in a speech last October that it was "easier to preach monetary purism than to practice it," and left no doubt that the Bundesbank continues to see its main task as supporting stable recovery if and when that comes about.

Adrian Dicks

Sour year for the Landesbanks

THE 1970s have seen a rapid expansion of the Landesbanks' business and influence both at home and abroad. But this exercise of formerly dormant power of the current decade has been marred by a series of scandals that has tarnished the image even of banks untainted by trouble.

However, until December last year things had been quiet for more than two years. The troubles of the past seemed to have been forgotten and the Landesbanks appeared to be getting used to growth without growing pains. This tranquillity was shattered by the Telex message which clattered into offices of the country's leading newspapers just after mid-day on December 23 last year.

It announced the resignation of Herr Ludwig Poullain, chief executive of the largest Landesbank, the Westdeutsche, better known as the WestLB. The message was short but cryptic. Herr Poullain, it said, was resigning because of serious aspertions cast on his character. Though he had done nothing of which he should feel ashamed, he felt it was best to stand down.

Blunt

Unusually in a country where even the most brutal sackings are well orchestrated with a saccharine chorus of regrets, it *took the WestLB's supervisory* Board some hours to react. When it did so, its blunt statement was merely one of acceptance.

These were the skirmishing volleys in a Boardroom battle which by the time much of the dust had settled—and it still seems far from over—shook the Government of North-Rhine Westphalia to the core and prompted the resignation of its Finance Minister. But apart from ruining two careers, including that of one of the most powerful banking chieftains in the Federal Republic, it served to reopen many of the Landesbank's old wounds.

The private commercial banking sector has never had much regard for the public sector Landesbanks, whose main job is to collect and redeploy that portion of the liquidity of the municipally-owned savings banks that is in excess of local requirements. Some also act as central banks to their State Governments and some are also Girocentral.

By any standards, the Landesbanks are very big. The WestLB's total assets are well in excess of DM75bn., and those of the Bayerische Landesbank are more than *DM55bn.* Even at the lower end of the scale they are still powerful. One of the smallest, the Badische Kommunale Landesbank Girozentrale, has a balance sheet total of well over DM15bn.

The main criticism from the private commercial sector is that the *Landesbanks—because* of the access to long-term funds and their links with local and State Government—offer unfair competition in the commercial sector. They also claim that because the Landesbanks entered the international market much later than their commercial competitors, they do not have sufficient experience in overseas operations, nor are they subject to the discipline of having to satisfy private shareholders by operating at a profit.

It is true that the Landesbanks have much easier access to long-term funds than their private competitors. However, as many leading Landesbankers have pointed out, the business that they do for the state, while not loss-making, is scarcely very profitable. Furthermore, most will admit that they are under constant pressure at least to hold in check the prices they charge for their services.

Losses

Arguments that they lack experience, particularly in overseas business, are usually backed by examples of the heavy losses reported by two of the leading Landesbanks for 1974 and 1975. In 1974 the WestLB registered losses of about DM300m. on the foreign exchanges, while in 1975 the Hessische Landesbank's shareholders — the Savings Bank Association and the State of Hessen — were forced to make provision for losses and potential losses to the time of DM2.2bn.

There is no escaping the fact that these losses, by any measure, were huge. However, the WestLB's foreign exchange loss took place in highly unusual circumstances, while the Hessische Landesbank's enormous write-offs stemmed largely from soured business in the domestic market — particularly the property sector, where it could claim to have some experience. It did not do particularly badly in the foreign exchange arena.

In the case of the WestLB, bankers argue that the loss took place at a time when nobody could claim a deep experience of the radically altered foreign exchange that followed the floating of the dollar. At the time, everybody in the business was

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Tough competition in the commercial sector

THE BULK of West Germany's banks lie in the hands of the public authorities or the co-operative movement. The combined balance sheet total of the Giro and savings banks, for instance, greatly exceeds that of the private sector—which includes the Federal Republic's largest publicly quoted banks.

Despite this the influence of the private sector is enormous. The commercial banks dominate the country's overseas banking business and take a decisive lead in the industrial lending field as well.

The reason for this is the Federal Republic's awe-inspiring universal banking system, which allows the banks a freedom of movement and a scope of operations unknown in Britain and the United States. West Germany, unlike the Anglo-Saxons, has not legally enforced the separation of investment and deposit banking functions.

As a result, the West German banks are able to offer a complete range of banking services under one roof. They act as a repository for savings, as stockbrokers, as investment advisors and they provide industrial finance, as well as owning a handsome slice of the country's industry on their own account. West Germany's system is an ideal one for a private or commercial banker, unfettered by the restraints and restrictions imposed on the public sector, and it is one of which they have taken full advantage. The banks have not been without critics—particularly their industrial involvement and their domination of the securities market—however, the government investigation into this aspect of their activities is reviewed elsewhere in this Survey.

According to November's provisional figures published by the Bundesbank, the Federal Republic's central bank, the aggregate business volume of all the country's banking groups amounted to DM1,748.82bn.—a far cry from the DM[illegible].82bn. reported at the end of 1965. Of this, the commercial bank's share is DM426.79bn. In comparison the combined business volume of the savings banks central Giro institutions amounted to DM677.35bn., while that of the co-operative sector totalled DM244.52bn.

The commercial sector is dominated by six big banks. The Deutsche Bank, the Dresdner Bank and Commerzbank and their Berlin subsidiaries. These three banking groups at the end of November had combined business volume of DM179.52bn., which is close on 42 per cent. of the sector's total business volume. The aggregate business volume of the 112 regional and other commercial banks amounted to DM184.13bn., while the 51 branches of foreign banks operating in the Federal Republic reported a combined business volume of DM33bn., rather more than the DM30.15bn. reported by the 104 private bankers.

Power

It is the concentration of business volume in relatively few hands, combined with wide scope of operations, that gives the commercial sector a position of power greater than that indicated by its business volume. Of the 3,477 banks reporting to the Bundesbank in November last year, 273 were in the private commercial sector. This compares with the 12 central Giro institutions, the 622 savings banks, and the 11 central co-operative institutions and the 2,352 individual co-operative banks.

This power has led to complaints, particularly from foreign bankers, that the market is in reality heavily controlled and that the dominance of the big banks stifles competition. All is not, however, as it seems and competition for business is tough.

One of the factors that greatly increases competition is the diversity and relative strengths of the various banking sectors. The Landesbanks, which act as centrals for the savings banks, have been carving out a heavy slice of the country's foreign business, at the same time as drawing on a far more extensive branch network than that of the private banks.

The co-operative sector, which has an even greater number of branches than the savings banks, has also been fighting hard to push up its 9 per cent. share of the German banking market. And it has to be admitted that the co-operatives and the savings banks, for whom profit is not a primary objective, sometimes have a competitive edge.

Where the savings banks and co-operative banks have been winning hands down is the savings sector. The commercial banks' network amounts to 6,103 branches—far fewer than the savings banks' 16,875 and the co-operatives' 19,279. The muscle of the savings banks is primarily in the cities and towns, while the co-operatives, which were established to supply a demand for agricultural finance, draw strength from the country. In spite of the greater number of branches, the co-operative banks control some 25 per cent. of the nation's savings compared with the 50 per cent. in the hands of the savings banks.

In the 20 years to 1976, the commercial banks have rapidly built up their system from 1957's total of 1,917 branches. The target was not just the saver, but the small and medium-sized companies that had formerly been the natural customers of the co-operatives and the savings banks.

Their market penetration was substantial in a country where a small man was swiftly waking up to the profits to be earned from export. This, in turn, provoked the savings banks and co-operatives to build up their expertise in overseas business in order to maintain their share of the market.

The people that have, perhaps, suffered most from this stiffening of competition have been the private bankers, the number of which reporting to the Bundesbank has slipped from 245 at the end of 1957 to 104 at the end of 1977. Frequently, leading West German bankers have been heard to say that there is no room for the private banker in to-day's competitive world.

This, however, would seem far from the truth. The private banker is still very much alive in West Germany, and many have prospects of continuing prosperity for many years to come. It is true that many small banks have gone to the wall, closed their doors to business or been taken over by the majors.

Many that have shut up shop were scarcely more than one-man bands that closed with the death of their founder. Others were banks in name only that, under German law, are better run as investment portfolios. The private banks that suffered most were the ones that failed to change with the times—for instance those that tried to compete with the big banks for the bread and butter business. An example: although a number of private banks are still offering branching facilities to the general public, their numbers are steadily declining.

The most successful of the private bankers concentrate on providing specialist services to large private and prime corporate clients. This is the area in which the private banker is frequently better placed to operate than the large commercial bank, whose services of necessity have to be more general.

West Germany's stock markets are important areas of operation for the private bankers. Some bankers trade on their own account, but the majority act as stockbrokers, investment advisers and portfolio managers. The larger private banks are also very active in the bond market, not only as advisers and traders, but in introducing issues and as members of underwriting syndicates. Other areas of interest include investment advisory services—both domestic and foreign—merger and acquisition advice and the foreign exchange market.

Of the country's 104 private bankers, some 73 had a 1976 business volume of less than DM100m. and none of more than DM5bn. But it would be wrong to evaluate a private banker's influence by this figure alone. Much of the private banker's business does not show up in business volume and the leading ones in the field exercise a considerable degree of power.

No matter what West Germany's big bankers have been saying about the private bankers in public, they have been showing a very healthy interest in taking them over. This, surely, is as strong a vote of confidence in the private banker's future as anything else. After all, nobody is prepared to pay for what can later be got for free.

In the case of most of these acquisitions, the private banks have continued to run as relatively independent operations. Indeed, the new parent banks have little choice in this as the operation of their subsidiaires within the corporate framework would tend to defeat the object of the acquisition. Probably the most effective way the commercial majors can compete with the private bankers is to set up or acquire a private banker of their own. In competition, as in everything else, imitation is the sincerest form of flattery.

Guy Hawtin

Landesbanks

CONTINUED FROM PREVIOUS PAGE

effectively finding his way over new ground.

Even so, the magnitude of their WestLB's loss was the result of a senior and trusted employee's attempt to recoup one loss by speculation in the market—a situation not without considerable historical precedent. Furthermore, the WestLB was not alone in reporting foreign exchange losses in 1974. Many banks in the commercial sector were also affected, including Herrstatt, the Cologne-based private bank, which collapsed directly as a result of its foreign exchange dealings.

It is probably fair to argue the larger Landesbanks have fewer staff in their foreign departments than their larger private commercial rivals, the Deutsche Bank, the Dresdner Bank, and the Commerzbank. As a natural corollary this implies that the Landesbanks' specialists have broader areas of responsibility than their counterparts in the "Big Three" but the advantages of one system over the other are debatable.

The fact remains that the Landesbanks have in recent years recruited many good men from the commercial sector. One leading banker said recently: "Many young men think they offer a faster road to the top." Furthermore, Dr. Walter Seipp, deputy chief of the WestLB and head of its foreign operations, said: "Both as far as top and middle management are concerned, we have a large pool of highly experienced people in our foreign department. Indeed, we are perhaps getting to a stage of having too many up-and-coming young men for the jobs available." Dr. Seipp was himself recruited from the Deutsche Bank.

Academic

These arguments tend to become academic when one examines why the Landesbanks came into the overseas business in the first place. Most senior bankers point out that it was a natural process, partly stemming from their work in granting loans to exporters and partly a result of a desire of the savings banks to compete with an ever-expanding commercial branch banking system.

As West Germany recovered from the devastation of the second world war, its export business started to pick up, generating a need for export finance. Originally loans were given to the exporter who passed them on to his overseas customer, but, with convertability of the D-Mark, the role of financing the foreign buyer fell increasingly to the banks, and this formed an obvious basis for expansion.

On the other side of the coin, the Federal Republic's 622 savings banks, with their 16,875 branches, dominated the savings market, but their industrial and commercial business remained relatively small. As an increasing number of small and medium sized companies—formerly natural customers for the savings banks—took an increased interest in exports, they turned to the private banks for help.

It became obvious that, unless the savings banks were able to offer the same facilities for overseas business as their private competitors, they would face the prospects of losing a large share of their industrial business. Most savings banks are far too small to contemplate developing overseas networks and, therefore, the Landesbanks had to lay on the service.

The departure of Mr. Poullain — in many ways the architect of the Landesbank's expansion overseas — from the WestLB has been seen by some observers as a sign of change in direction for the Landesbanks. It is argued that his resignation was a result of a general desire among State politicians for a radical switch in Landesbank policy, away from profits overseas and towards economic development of the State itself.

This, however, seems unrealistic. Although a major row over the WestLB's policy preceded Mr. Poullain's departure, informed sources state that his disagreement with the politicians of North Rhine — Westphalia was the result of a clash of personalities rather than a clash of policies.

It also seems clear that the Hessische Landesbank's difficulties, now coupled with the results of the Poullain affair, have served only to strengthen the hands of those on the Landesbanks' boards who advocate a strictly commercial approach to their business policy. The public sector, it would seem, is subject as much to market forces as the private sector.

While the directions of the Landesbanks is unlikely to change, it is fair to expect a slowdown in the rate of expansion of the larger banks' overseas business. But this is because the foreign business of banks such as the WestLB has reached such a level that previous growth rates are neither feasible nor desirable. Some 30 per cent. of the WestLB's profits are generated by its overseas turnover, and it would surely take a saint-like sense of self sacrifice for it to turn its back on that.

G.H.

GERMAN BANKING IV

Table 1:
WHERE THE LOANS GO
(Dm.bn.end-1976)

Total loans (excluding mortgages)	380
Manufacturing	119
Utilities and mines	28
Building	19
Distribution	65
Agriculture and Fisheries	27
Transport and Telecoms.	51
Financial Institutions	7
Other	64
Mortgages	47
Grand Total	427

Source: Deutsche Bundesbank

Table 2:
LOANS TO MANUFACTURING INDUSTRY
(Dm. bn. end-1976)

	Total 119	Short-term 59	Med.-term 13	Long-term 47
Chemicals	12.9	5.6	1.6	5.8
Plastics, Rubber, Asbestos production	4.4	2.3	0.4	1.7
Stone extraction, Pottery, Glass	5.1	2.3	0.5	2.3
Basic metal production, Foundries	15.8	7.3	2.2	6.3
Steel construction, Mechanical eng. and Vehicles	25.1	11.6	3.9	9.6
Electrical Eng., Other Eng. and metal goods	19.9	9.8	2.2	8.0
Wood, paper, printing	11.7	5.8	0.9	5.0
Leather, textiles, clothing	10.5	6.8	0.6	3.1
Food, drink, tobacco	13.6	7.8	1.0	4.8

Source: Deutsche Bundesbank

Close involvement with industry

DO WEST GERMAN banks have too much influence over business and industry—and if so, what might be done about it? These questions are being faced by a committee set up by the former Finance Minister, Herr Hans Apel, as long ago as November, 1974. Its report should be ready this year and is awaited with widespread interest—and some trepidation.

The committee, grouping representatives of the Finance and Justice Ministries, trade unions, universities and the banks, has as its task the consideration of "fundamental problems in the credit sector." Behind that dead-pan title lie some highly sensitive issues.

They include:

Should the famed West German "universal banking system" stay as it is—or should a division be made between credit business on the one hand and equity dealing on the other? Should the taking of stakes by banks in industrial enterprises be forbidden or at least restricted? What influence do the banks exert through their membership of company supervisory boards and through the "Depotstimmrecht"—under which they can exercise voting rights on shares left on deposit with them by the original owners?

This topic is touchy at the best of times. It is doubly so, with economic growth proving slow, around 1m. unemployed and strident calls from the Left to "direct investment" and create new job opportunities. Even moderate trade unionists are sometimes given to suggesting that if this is the best the "social market economy" can do then perhaps it is time to change it. And if change did come then, for better or worse, it would certainly involve the banks and their special relationship with nidustry which dates back to the start of the German State itself.

Co-operation

It is hard to imagine the take-off of German industry in the late 19th century without that close co-operation with banks which suplied capital, granted credit, nursed new branches into existence—in short provided that universal service which has marked its activity ever since. The banking system was described at the time as "a kind of leader of the entrepreneurial spirit of the nation." In many ways it remains so—and what, bankers may be heard asking somewhat bitterly, is wrong with that?

They have a point. The universal bank offers a big range of services conveniently under one roof and allows the bank to spread its risks. That looks good for the customer (especially the industrial client with a wide range of needs), good for the bank—and good for the shareholders of both.

Against that is the suggestion that the universal bank gains too much power and is bound to run into conflicts of interest. How can it be otherwise, it is asked, when the same institution not only grants credit and advises on shares but also helps steer the policies of companies to which it has lent funds and about which potential investors may ask it for advice?

Confidential

The committee's work is highly confidential. But the Monopoly Commission, an independent advisory body, covered similar ground in its report made public in 1976 on competition throughout the German economy. Its findings are worth recalling even though, as the commission makes clear, it did not receive sufficient co-operation from banks on some issues for it to accomplish its tasks fully.

Clearly the banks, simply by providing credit, gain some degree of influence. How big, therefore, is German bank lending to domestic enterprises—and which industrial sectors are the biggest borrowers?

Table 1 shows that at the end of 1976 manufacturing industry was in debt to the banks to the tune of DM119bn.—out of a total bank credit to all enterprises (excluding mortgage loans) of DM380bn. Table 2 shows the breakdown of borrowing by industrial sectors and the proportions in short, medium and long-term loans. The main borrower, accounting for more than one-fifth of all credit granted, was that sector embracing steel construction, mechanical engineering and vehicle building. Of the overall total almost exactly a half was short-term debt, with a lesser but still high proportion of long-term debt.

The Monopoly Commission examined which groups of banks were providing credit to which sectors of industry andn trade, it came to the following conclusions.

The credit banking sector (the commercial banks including the "big banks"—the Deutsche, Dresdner and Commerz and their West Berlin affiliates) provides between a half and two thirds of the credit in virtually all sectors. There is no special point of emphasis, although a fair rule of thumb is close connection with heavy industry.

The savings bank sector (the central giro institutions and the savings banks) provide between a quarter and a third of the credit in all sectors. Within this general classification, the giro institutions made a speciality of credit to the chemicals and metal production sectors. The savings banks concentrate their credit operations on medium and smaller sized enterprises in branches including stone, glass, ceramics, wood and paper—as well as in trade.

The co-operative institutions specialise in virtually the same fields as the savings banks.

The final point alone gives just one indication of the competition between the different banking sectors. But of course there is fierce competition within sectors too. True there was a reduction in the number of German banks between 1960 and 1974 by about a half, but that still left 6,350 battling for business—299 credit banks, 718 in the savings bank sector and 5,333 co-operatives. That does not rule out dependence by an industrial concern on a "house bank," but it does suggest that the dependence has not emerged for want of alternative sources of credit.

What other consequences flow from the provision of credit? The commission notes that not only do banks naturally seek all available information about the creditworthiness of their clients. They are also bound to do so under paragraph 18 of the German credit law.

As the bank increases contacts with its business clients, so its information and possibilities to influence grow too. The commission suggests that because banks have finance combined with wide-ranging and detailed information, they gain a competitive advantage over non-banks. There is thus a long-term tendency, the commission says, for stakes in enterprises of above-average worth to accrue to the banks. For the same reason the big banks tend to gain a competitive advantage over the smaller.

The commission looked at the top 100 German companies in turnover terms in 1975 and discovered that banks held stakes in 32 cases (28 of which were of between 25 and 50 per cent.). True, the banks did not comprise the group figuring most often in the list as a stakeholder. The leading position—believe it or not—is held by companies which themselves are members of the "top 100" (and in which, of course, banks regularly hold interests).

In no case did a bank have a holding of more than 50 per cent. in the "top 100"—in contrast to private individuals or families (13 cases) and foreign enterprises (19 cases). But at the other end of the scale the commission did find that the "universal bank" helped expand its business by taking over smallish concerns in fields close to its own (which, by definition, is wide). Between 1973 and 1975 it noted 82 mergers between banks and non-banks, most of them in service fields like land administration, leasing and consultancy.

What then of banking representation on company supervisory boards—which oversee the activities of the managing board and have the power to hire and fire members of it?

Insofar as it gained replies to its questionnaire, the commission found that banking representatives had a total of 7,389 supervisory board posts, supplying the chairmanship for joint stock companies in 226 cases and for limited liability companies in another 72 cases. Especially strongly represented were the big banks. They had a total of 483 posts, supplying the chairmanship for joint stock companies in 91 cases and for limited liability companies in 24 cases.

Hampered

As for the Depotstimmrecht, the commission was hampered here too by an incomplete response. But it estimated that a total number of 2,036 joint stock companies at the end of 1974, a single credit institute held 50 per cent. or more of the voting rights at 7 per cent. of the annual meetings.

The Monopoly Commission drew one key conclusion from its analysis. It proposed that banks should not normally hold more than 5 per cent. of the equity of a company, and if they did they should have no voting rights for the portion above 5 per cent.

Had this recommendation been in effect four years ago it would have meant, for example, that Deutsche Bank could still theoretically have taken its 29 per cent. stake in Daimler Benz from the Flick group—but it would not have been able to exercise voting rights on 24 per cent. of it. (Deutsche Bank has since re

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Limited scope for foreign banks

WEST GERMANY became something of a mecca for foreign bankers in the late 1960s and early 1970s. They flocked to Frankfurt and, to a lesser degree, Duesseldorf, eager to teach the German banks a thing or two and grab a slice of the fast-waning economic miracle for themselves.

This, of course, is an overly cynical view, and, indeed, the British and American banking majors have long been established over here. But the attitude seems to have been prevalent among many of the smaller foreign banks that moved here before the start of the recession.

In 1957, according to Bundesbank statistics, some 15 foreign banks had established branching operations in the Federal Republic. By 1975 this had increased to 49, but hardly surprisingly this number remained static during 1976, but increased to 51 during 1976 after a year of dazzling German banking profits.

Greater

However, the number of foreign banks that only maintain representative offices in West Germany is far greater, although it is hard to put a firm figure. The representative offices have no obligation to report, figures and all, to the Bundesbank, and no doubt this spares some a good deal of public embarrassment about the quantity of their business.

At the end of November, according to the central bank's provisional figures, the aggregate business volume of the 51 branches of foreign banks reporting monthly to the Bundesbank totalled a shade under DM33bn. This indicates a marked drop in volume compared with November 1976, when 49 foreign bank branches reported a combined business volume of DM34.01bn.

These pickings are very thin indeed when compared with the total West German business volume of DM1,746.8bn.—less than 1.9 per cent—and the foreign banks' penetration of the West German industrial lending market is not a patch on that, say, of the U.S. banks in the British market.

Of the 49 branches of foreign banks reporting to the Bundesbank at the end of 1976, only one had a business volume in excess of DM5bn., while nine reported volumes in the DM1bn. to DM5bn. range. Eleven branches' volumes were between DM500m. and DM1bn., and the remainder were spread between DM10m. and DM500m. In view of the names of the banks established here, these figures are not particularly impressive.

Many leading banks content themselves with representative offices—the British-based Midland Bank among them. While, undoubtedly, some representative offices can confidently claim to generate more business than many of the branches, it seems clear that in a large proportion of cases the volume of business they produce is substantially lower.

There is a considerable argument over here as to whether it is better for a foreign bank to operate out of a branch or a representative office. One leading advocate of the representative office cause said recently: "Branches are more trouble than they are worth. There is a considerable amount of work involved in reporting to the Bundesbank. You are subject to German equity/credit ratios and there is always the Berlin supervisory office breathing down your neck.

"As a representative you do not miss very much—a certain amount of foreign exchange business perhaps and the theoretical right to deal on the stock exchange. Beyond that I do not believe that representatives are any the worse off and, in view of the fact that they have fewer bureaucratic headaches, they probably come off better."

Indeed, the Berlin-based bureau which oversees West Germany's banks, has a clear duty to ensure that the branches of foreign banks here comply with the Federal Republic's exacting banking legislation. This can cause difficulties.

For a start it insists that the person in charge of a foreign bank branch in the Federal Republic must speak adequate German. There have been cases of very well-qualified foreign bankers being refused permission to take over control of their branches because their command of the language was considered inadequate. American banks, among others, have been affected by this, as international banking qualifications do not, in that country, necessarily march hand-in-hand with linguistic ability.

While perhaps it is irksome for a senior banker to be sent back to the classroom, it has resulted in West Germany having a far greater proportion than most other centres of leading foreign bankers fluent in its mother tongue. Theoretically at least, this has given the foreigners a better chance to go out and get business. By no means as many people as the Anglo-Saxons so flippantly assume speak fluent English or French.

Having learnt his German, what are the business prospects for the foreign banker? Pickings for the small fry are not particularly good, according to many. One leading American banker said some time ago: "I just don't know what many of them are doing here. They must have sold their Boards back home a very good line."

Emphasis

To-day, of course, there is a very heavy emphasis on the foreign exchange markets and the international underwriting business. Frankfurt and Dusseldorf are very important Euromarket centres. At the same time many of the banks have sought to build up business lending to prime corporate clients.

West Germany, however, is the home of the universal banking system, and competing with the big domestic banks in their own home market is no easy business. Although this is not to imply unfair competition from the West German domestic majors, the market is a far harder one for a foreign bank to crack than, say, Britain or the United States.

The stock market plays a much smaller role in funding the Federal Republic's industry than in the U.K. or North America. The banks themselves have a heavy equity interest in industry, and many businesses would rather turn to the banks for finance than to the equity market.

Consequently, in few other countries are businessmen so closely bound to their bankers. Not only do they have a direct commercial incentive in keeping on good terms with their "house bank," but, through years of close contact, strong loyalties have been built up. "They looked after me in thin times and it would be wrong to turn my back on them in good times if they can still give me the service I want," seems to be the attitude.

No doubt these bonds are strengthened by the fact that bankers sit on the supervisory Boards of many companies whether their banks own equity in them or not. While it is hard to produce evidence for the assertion, it seems highly unlikely that the domestic banks' considerable say in the way companies are run is not reflected in the corporation's banking policies.

Foreign banks from countries with a high investment stake in West German industry are probably better placed than most in the stiff competition for corporate business. The American banks with their lists of multinational clients have a better start than many. The British banks do not do badly in this respect either.

The smaller foreign banks tend to get the left overs, which though good enough in times of plenty, can leave them on short commons during downturns. The past few years have been particularly tough in this respect, with prime corporate clients slashing back capital investment programmes and channelling resources into much less cash-hungry rationalisation programmes.

Despite the gloomy tone of this article, there is still a prosperous future here for smaller foreign banks that show flair and imagination. It is, after all, pointless to offer exactly the same services as the large domestic banks and the major foreign competitors.

The natural area of competition for the smaller foreign banks in West Germany seems to be with the private banks which specialise in offering tailor-made services for their customers. Here the foreign banker, with his intimate knowledge of his own home market, is more on even terms. However, it should be pointed out that those private banks that have survived and prospered in the climate of the extremely hard competition of the past 20 years have done so on merit and an intimate knowledge of their customers and markets. They are not to be easily beaten.

Venture

Perhaps one of the best examples of imagination that pays is the joint venture set up by Skandanaviska Enskilda Bank, the Nordic countries largest private commercial bank, and the Bayerische Landesbank. While the Skandanaviska Enskilda can hardly be described as a small bank, it was relatively late in establishing itself in West Germany.

Instead of setting up a branch operation in order to carve itself a slice of German-Scandinavian trade, it opted for partnership. It was a marriage of convenience between its client list—there are 440 Swedish-owned companies in the federal republic—and its partners' cash. It offered a solution to the Swedes refinancing problems and gave the Bavarians easy access to the rich Scandinavian market.

After just under two years of operation, the joint subsidiary—the Deutsche-Skandanavishe Bank—which has a nominal capital of DM40m., appears well on the way to goal of being the West German specialist in the Nordic countries. It is already returning very satisfactory profits, and its total assets have passed the DM1bn. mark.

G.H.

Close

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distributed the holding—which it took to prevent the block of shares from passing into foreign hands. This in itself is a fair example of banking power.)

In its commentary last June on the Monopoly Commission report, the federal Government not only agreed that such a restriction of voting rights in future was worth considering. It also felt examination must be given to restricting voting rights on existing holdings.

The banks point to a series of factors which they feel are often misinterpreted. Because they hold stakes in industrial enterprises they can frequently bring about constructive mergers which would otherwise have been almost impossible to achieve. They have, of course, the *Depotstimmrecht*, but because the banks have the right to represent them, many shareholders gain a voice at annual meetings which they would not be able to attend in person.

Without that right the meetings might indeed be delivered into the hands of one or two big shareholders with special interests. As for supervisory board membership—bankers ask who better is available to sit on it. They hold the positions not just because of personal skills but because they have behind them the whole analytical and technical expertise of their institution.

This amounts to a defence not that the banks have no power—but that they use it responsibly and for the best. It will be interesting to see what the committee set up by Herr Apel thinks of those arguments when it reports back.

Jonathan Carr

Firm hold on capital market

THE BANKS ARE jealous of their position in the domestic capital market. Evidence of their determination not to yield their role as underwriters and managers came in January of this year when the big banks torpedoed an experiment by the Federal Finance Ministry to offer "borrowers notes" *(Schuldscheine)* by tender.

Torpedo is perhaps a bit harsh, but the standoffishness of the banks certainly made the experiment less than a resounding success. The Finance Ministry was trying for the first time to offer the long-term paper without going through the standing Federal Loan Consortium, which normally sets the terms for borrowers' notes and the bond issues for the Federal Government and agencies.

The paper is primarily of interest to institutional investors (minimum investment is DM10m.). The Finance Ministry was offering 6 per cent. annual interest on a ten-year maturity, and expected to raise about DM1.5bn. through the tender. The final haul was just DM980m., and that at a price of 99.40 per cent. or about 0.10 per cent. below what most people had considered an absolute bottom price.

The Finance Ministry downplayed the decidely modest success of the tryout, and the banks denied that anything so mean as just preserving prerogatives was at stake. In fact, though, when the Finance Ministry the next month went to the consortium in the normal way, it had no trouble raising DM2.1bn. with the borrowers' notes.

In fairness, objective commentators noted that the price risk in a tender would have made investors cautious. The yield on the paper tendered was 6.08 per cent., or exactly corresponding to the current market condtions. Still, the banks certainly had not reason to encourage this independence on the part of the Finance Ministry, even less so as various "lender" governments were watching the experiment with interest.

Borrower

The Federal Government is the major borrower on the domestic capital market. Bonn had a net borrowing requirement last year of DM21bn. and this year's federal budget foresees net borrowing of a record DM31bn. Net borrowing of all government entities this year is expected to soar to DM55bn. from DM32bn. last year.

In fact, public sector paper is practically the sole investment in the German fixed-interest securities market, aside from mortgage obligations and communal bonds. The latter are issued by banks to re-finance construction and local government spending. In 1977, total net borrowing in the capital market was DM50.474bn. Of that, DM29.699bn. consisted of bank obligations, including the banks' own paper as well as mortgage and communal debentures. Public sector paper accounted for DM21.191bn. (with only a few new issues, redemption of mature industry obligations resulted in a negative balance of DM417m. in that sector's borrowing).

Industry borrowing is insignificant. The department store chain Kaufhof broke a dry spell of more than three years with a bond issue late in 1976. This was closely followed early in 1977 by new issues from Thyssen and the electrical utility VEW, and there was some hope that industry would return to the capital market.

The hope was short-lived, however. The economy grew stagnant and industry avoided the bond market despite a precipitous decline in interest rates.

This decline has been the most prominent feature of the German capital market in the past year. The Bundesbank's computation of average yields on bonds in circulation showed a fall in public sector bonds from 7.3 per cent. at the end of 1976 to 5.5 per cent. in January of this year. Yields on other capital market paper paralleled this development.

February provided further indication of a downward trend, and most analysts don't think the bottom has been reached yet. The Federal Government came out with a two-tranche issue in the first half of February. An eight-year bond carried a coupon of 5.5 per cent. while a 15-year bond was offered with a 6 per cent. coupon. Both tranches were given an issue price of 99.75 per cent. but were trading above par even before their official listing. An offering from the Federal-owned Bank for Compensation Settlements later in the month extended the maturity on the 5.5 per cent. coupon to 10 years and came out at par.

Yield on ten-year mortgage obligations meanwhile slipped to 5.80 to 5.85 per cent. by the end of February from 6.10 per cent. at the end of January and 7.25 to 7.30 per cent. a year ago.

Bond prices suffered a severe drop at the end of February following the Swiss move to block sales of domestic securities to foreigners. Fears that Germany might impose similar restrictions led to panic selling. But the losses were quickly recouped and when the Bundesbank Council failed on March 2 to take any new action, dealers reckoned the price rise would continue.

Impulse

The most recent impulse for the fixed-interest market has been the cut in savings account rates to post-war lows. The round of cuts in the past few months was a result of the cut in the Central Bank Discount rate in mid-December (to 3 per cent. from 3.5 per cent.), which in turn resulted from the pressure of declining capital market rates.

The rate on passbook savings accounts is now 2.5 per cent., which appears too low even for the savings-conscious Germans. The shift of savings funds into bonds that has been taking place over the past two years has accelerated in past months.

January, in fact, was a record month for new issues, as DM11.2bn. of new paper came into the market. Investment fund certificates also posted record sales of DM1.3bn., of which DM1.1bn. went for bond-based funds.

Added impulse is provided by purchases from abroad. While most of the orders for German paper are directed through Switzerland, dealers here presume that funds being shifted out of France, prior to the parliamentary elections in March account for a good part of the foreign demand. Some worry that flight capital now blocked out of Switzerland will spill over into Germany and bring some official intervention after all.

Domestic investors prefer fixed-interest securities to shares following the traumatic experience of the 1974-75 recession, when dividends were cut and such blue chips as Volkswagen and AEG-Telefunken passed the dividend. The double-digit coupons on bonds issued at the time converted those willing to invest at all.

Bankers are hoping that the drop in bond yields combined with the improvement in dividend yields due to the corporate tax reform will divert more funds into the stock market. Stock prices did in fact receive an impulse in February from rumours that the chemical giant Bayer would pay a cash dividend of DM6.50, which with the tax credit would yield 7.2 per cent. on the blue chip.

The optically high yield is an attraction for the German investor. This yield sensitivity explains the strong domestic interest in high-coupon Euromark bonds. While top-ranked addresses generally are snapped up by foreign investors, German investors go for lower quality borrowers with high coupons, like Latin American countries.

Of course, rates on the Euromark bonds have declined in step with those on the domestic market. The Mexican Electricity Commission (CFE), for instance, announced at the beginning of March a ten-year issue with a provisional coupon of 6.75 per cent. This is significantly lower than the 8 per cent. coupon on a seven-year bond offered less than a year ago, but of course higher than the 5.5 per cent. yield on new government bonds.

But private investors in particular shy away from longer maturities. The combination of higher yields and shorter maturity has made Federal Treasury bills (Bundesschatzbriefe) attractive. The interest is higher than on savings accounts and the bills can be sold back after one year.

So now there is talk among the savings and cooperative banks of offering savings certificates (Sparbriefe) with life spans shorter than the current four-year minimum. The idea here is to make some competition for the government and divert some of the funds flowing into Treasury bills back into the banking system.

Darrell Delamaide

Deep into share dealings

UBIQUITOUS might be a better word than universal to describe the role of German banks in the country's stock exchanges. Perhaps no better clue to the power of the universal banks in German economic life can be found than in the comprehensive role they play in the benchmark institution of the market economy.

It is not only that the banks underwrite new listings and share issues, or just that they serve as floor brokers and public order officials, or even just that they trade large blocs of stock on their own account or for their trusts or for the affiliated public invesment funds.

Nor is the influence of the banks limited to the fact that most industry and corporate analyses are prepared by their economic departments or by the investment institutions related to them, nor that investment advice for institutional as well as private investors comes from bankers.

Aside from all this, the banks own a hefty chunk of the listed nominal capital—one estimate puts direct ownership at a nominal DM5.5bn. Top bank executives sit on the Boards of major industrial companies, not infrequently as chairmen. Also important is that practically all German shares, being bearer shares, are kept on deposit with the banks and the banks have the right—they say, the obligation—to vote these shares by proxy unless they receive instructions to the contrary from the shareholders. In this manner the banks control a further DM36bn. nominal value. Altogether, the banks control more than half the DM82bn. of shares in circulation.

In short, Germany's universal banks violate many of the most basic principles of Anglo-American philosophy on bank involvement in the stock exchange. The depth of their involvement controversy in Germany. At these times, the banks highlight the advantages of universal banking, soft-pedal the notion of influence and in general try to keep a low profile. Universal banking they defend as efficient and beneficial for the customers, noting that in England and America as well as other countries, the natural evolution seems to be in the direction of universal banking.

The argument seems eternal and certainly will not be settled soon. Meanwhile the private investor at least has the convenience of simply walking into his local bank branch, filling out (or just signing) a form to buy some shares. The money is automatically debited from his account and the shares automatically registered in his own deposit, for which he pays a modest fee. He will be duly notified of dividends, annual meetings, and any special business that arises.

Banks were instrumental in gaining passage for the German corporate tax reform that became effective last year. The law provides that shareholders receive a credit on their income tax equal to 56 per cent. of the cash dividend for the tax on the dividend. Even though most companies are expected to cut their cash dividends to compensate for the higher taxes the law imposes to pay for the tax credit, the domestic shareholder is expected to realise an effective dividend increase of 30-40 per cent. in most cases.

Encourage

The plan was that dividend yields would rise to compare favourably with bond yields and encourage the cautious German investor to overcome his traditional reluctance to buy shares. The law, which applies to fiscal years ending after January 1, 1977, and so to dividends just being announced, has been a litle slow in breaking in on the consciousness of German investors. Because the tax credit applies to 1978 income, it will not be reported until 1979, so that the impact is likely to be delayed.

Still, the banks have been assiduous in their efforts to educate the private investor to the benefits of the new law. The precipitous drop in bond yields over the past year, and especially the past few months, and the trend of companies reporting so far to maintain or only slightly cut their dividends have provided some incentive for investors to shift into shares.

Before the new turbulence in currency trading set in at the middle of last month, stock prices almost topped last year's high. The Commerzbank Index of 60 leading stocks rose to 812.7 on February 10, compared with the 1977 high of 813.3 on November 17. Meanwhile, Bundesbank statistics during December showed turnover in shares actually exceeding bond turnover in the autumn months of September, October and November. Discouraging economic forecasts, currency unrest and the prospect of tough wage negotiations sent investors scurrying back into fixed-interest securities (bond turnover for the year was DM35.5bn. against DM27.6bn. for shares).

But the prospect of higher dividend yields from the tax reform gives the stock market a helpful boost and bankers take every opportunity to remind the public of its benefits; they are also making efforts to keep the idea of capital gains alive.

A rather curious form of this promotion are the "Bourse Games" sponsored by German business publications. The monthly periodical Capital is launching one this month in collaboration with Commerzbank. The reader gets an account of DM30,000 "play money" to invest in selected stocks of his choice. Whoever makes the most out of his capital in three months wins DM20,000 real money. The weekly Wirtschaftswoche, working with Deutsche Genossenschaftsbank, sponsored a similar contest last autumn.

The banks also have lobbied heavily for some alteration in double taxation accords to relieve the "penalty" imposed on foreign investors, who do not get the benefit of the new tax credit but see the cash dividend cut. Special targets here are the tax agreements with Switzerland and the U.S., the two sources of most foreign interest in German shares.

The lawmakers specifically mentioned that some arrangement should be made for foreigners, but early negotiations have foundered. While there are no statistics for overall turnover, foreigners purchase about one-third of new shares on the German exchanges.

The banks also act as middlemen for domestic investors seeking foreign paper for their portfolios. German interest has been particularly strong in American issues. The dollar's sharp decline has made them more cautious, but some bank analysts and traders confide that now is really the time to buy American shares.

D.M.

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Television

Make your mind up time for Melvyn

by CHRIS DUNKLEY

Melvyn Bragg is going to have to make up his mind. On the one hand he can be the editor/presenter of a television arts programme which appeals to literally millions of people by featuring what is known in the music business as "middle of the road" material (MOR).

On the other hand he can attract the adulation of the "intellectuals" and "highbrows" in "the cultural establishment" (his own words used in a remarkably peevish article about "cultural snobbery"—in last Sunday's *Observer*) whose views appear to be so important to him. What is highly unlikely is that he is ever going to manage both at once.

Bragg came to public prominence as the presenter of *Read All About it*, the BBC 1 programme about paperbacks which is now being carried on with surprising consistency by Ronald Harwood. (Harwood's habit of reproducing all Bragg's favourite mannerisms in the course of one sentence—the lean into camera, the half smile, and the single nod—is quite uncanny. Could it be the result of too close a study of Bragg's old programme in preparation for the job, I wonder).

But it is probably important to realise that Bragg did not start in television with *Read All About It*. He joined the BBC as a general trainee straight down from university and stayed to become a producer, working on arts programmes including *Omnibus* before leaving to concentrate on writing novels and film scripts.

Most important of all, perhaps, is the fact that in his early days with the corporation he worked on *Monitor*, the arts series which in retrospect has become almost a legend and which was presented—not solely but most memorably—by Huw Wheldon. It would be odd if that celebrated series, and Wheldon's often admired (sometimes ridiculed) presenting had had no effect on Bragg.

This is not to say that his new arts programme bears much of a resemblance to *Monitor*, but it may have something to do with Bragg's petulance following the reception of his new series.

Unexcitingly titled *The South Bank Show* (hereafter SBS) presumably because that is where the offices of London Weekend Television stand, it has so far broadcast eight editions and the general format and attitude are now clear.

The first half of each programme is devoted to fairly brief "magazine" items: sometimes Bragg interviewing a celebrity (Ingrid Bergman and Quentin Crisp for examples) and often conveying the opinions of studio guests who seem to have been selected because they are famous for being well known.

This habit comes straight from *Read All About It* which has always sought the opinions of soccer players, actresses, pop stars and so on as well as those of writers and critics. On *The SBS* we have been regaled with the views of actor Alfred Burke (Marker in *Public Eye* and currently playing the German commandant in London Weekend's serial *Enemy At The Door*) on Simenon: he had never read any before. And we have heard Gerald Scarfe "previewing" David Mercer's new television play: "I just enjoyed watching a randy vicar and that's it."

This sort of thing is hardly designed to entice anyone coming new to the work of Simenon or Mercer. Nor is it going to hold the attention of those of us who reckon to know a bit about Simenon and Mercer already. Presumably it is supposed to impress Auntie Ethel who has no desire to watch *Match Of The Day* on BBC 1 or *M.A.S.H.* on BBC 2 but may delay cocoa and an early bath if enough chat show celebrities are paraded before her on ITV. In other words the aim of *The SBS* appears to be ratings.

This assumption is reinforced by most of the longer single items, usually on film which fill the second half of the programme—"after the ads" as Bragg puts it with commendable honesty.

These films are invariably about safe, well established MOR subjects. Even next week's seemingly rather quirky choice, Ken Dodd, was long ago made respectable not to say nearly institutionalised by serious essays from people such as Ken Tynan.

In this second half the programme still seems to be pitched at Auntie Ethel. Those of us who bought our Jacques Loussier records 16 years ago are unlikely to have found our attention riveted in last week's second half by a film which looked like a long Dubonnet commercial and managed to convey the idea that Loussier's music was *sui generis* rather than being a natural extension of Django Reinhardt's work. This item ended just as it started to get interesting with some reference to Loussier's own recent composition.

As with Louissier—presentation of many of *The SBS*'s other subjects would have been much more brave and interesting a few years ago when they were fresh and original: Quentin Crisp's monologue when he was delivering it in lunchtime theatres (now he is established in the West End); Victorian painting when it was being rediscovered (now you can't get away from it); and Paul McCartney when he first went back on the road with Wings.

That the concentration on such long established items at the expense of their 1978 equivalents results from a deliberate policy rather than from any lack of such equivalents is proved by the content of other series. Ironically it was another London Weekend series, *The London Programme*, which brought to my attention a man named Ian Dury, just a month after the rather tedious McCartney interview on *The SBS*.

Dury (who is now popping up everywhere) looks like a genuine original, combining aspects of punk, the teddy boys, and various other movements in his idiosyncratic performances. The important point however is that the little film that portrayed him was vibrant and original and imaginatively shot amid the London markets where Dury feels at home. The pictures had immediate bearing on the content of his music, in contrast to the Loussier schmaltz.

The Dury film gave a powerful impression of having been made by people who felt a real enthusiasm for the subject. Not once in the seven editions of *The SBS* that I have seen has there yet been evidence of such enthusiasm on any subject.

The SBS lacks that passion which underlies all really compelling arts programmes: in *Monitor* it was Wheldon's eclectic enthusiasm allied to a joyous proselytising zeal; a desire for all of us to share in his latest discovery or craze—or even an old one.

In BBC 2's *Arena*—far and away the best arts series on any channel at present—it is often the passion of the fanatic or at any rate the single minded. No television series about movies other than Gavin Millar's *Arena: Cinema* would ever get itself into the seemingly arcane but actually vital and fascinating question of the difference between operating and lighting cameramen.

Nor do the subjects of such enthusiasm have to be erudite. Last week's *Arena: Theatre* investigating three new English musicals, interspersed with clips from *42nd Street* and shots of leaves falling from calendars, was far from highbrow. Moreover reporter Glyn Worsnip has an unfortunate tendency to camp things up too high, yet there could be no doubt here of his real affection for the world of the musical. Again the enthusiasm showed through.

None of which is to imply that Bragg's programmes are dour or positively unenthusiastic let alone unpleasant. On the contrary, Bragg himself is invariably charming (if over intrusive and paternal in his role of interlocutor and guide) and the programmes are rarely less than quite nice.

The trouble can be traced through one paragraph in his Observer article: "It is often true that the art which a century or so later is accepted and orderly and tidily arranged is often in its time subversive or disorderly or uncouth or scruffy or apparently marginal. Or—even more confusing—popular and obvious."

For some reason *The SBS* has stuck entirely to the popular and obvious, treated, what's more, in a way that makes clear that it is not intended for those who (for instance) read or write this page and don't need introducing to Loussier, Alan Howard and the Royal Shakespeare Company, or Mizoguchi's *Ugetsu Monogatori* all of which they discovered years ago.

It is just possible that if Bragg were to keep some of the popular and obvious and extend his programme to include—say—Ian Dury, Het Werkteater at the ICA, and Derek Jarman's *Jubilee* (thus fulfilling his own pronouncement that "you have to take the risk of looking at what is happening now") he might start gaining more critical respect. But he would almost certainly lose Auntie Ethel and the ratings, and Auntie Ethel and the ratings are what television as a mass medium is really all about.

He will just have to make up his mind which it's to be.

Ian Dury (right) in 'The London Programme' (London Weekend)

Mermaid

Whose life is it anyway?

Leonard Burt

Jane Asher and Tom Conti

The "life-support system" that keeps Ken Harrison alive after a motor-accident has left him paralysed from the neck down is nothing you can switch off; it is the staff of a hospital. Nor is there any question of deciding when his brain activity is ended. His brain is completely active, his mind is clear. He simply wishes to die rather than survive helpless.

Brian Clark has made a fascinating play out of this all too topical dilemma. He has, I think deliberately, cast it in a popular mould. The beautiful house-surgeon Dr. Scott—Jane Asher, no less; the stern sister (Jennie Goossens) keeping her feelings rigorously under control; the pretty probationer nurse (Phoebe Nicholls) and the jokey black orderly (Trevor Thomas)—these are characters out of television soap-opera. There is even a trial scene to conclude with. But the characters are used with notable skill to ensure that the arguments of the play are presented simply and unmistakably.

Ken Harrison makes a clever approach to the problem of survival. As no doctor can be relied on to let him die, he hires a lawyer to force the hospital to discharge him. The consultant in charge of his case reacts by holding him under the Mental Health Act as insane, and the lawyer brings a *habeas corpus* action. The writing, and the direction by Michael Lindsay-Hogg, are full of interesting detail, legal and medical alike.

Tom Conti plays Harrison with no resources but his face and his voice. He can move his head but nothing else; indeed the realism with which he allows his limbs to hang helplessly when he is being washed or changed is a notable part of his playing. The performance is a very remarkable one. Mr. Clark has given him all the cards—he is an artist, he is a wit, he has great clarity of expression. Mr. Conti, with his restricted tools, presents a whole man, and presents him sharply.

On either side of his ward in Alan Tagg's set are the consultant's office and the sister's room, and characters come and go between them with less than perfect consistency, entering or leaving where convenient rather than where we have learnt to expect. The company is a strong one. Richard Ireson is interesting as Harrison's lawyer, a rather seedy chap who is reluctant to look anyone in the eye until he has the case tied up in his mind. Sebastian Shaw hears the case in the ward, the lawyers sitting around the bed, Miss Asher ready with oxygen if needed.

Miss Asher is not asked to do much more than keep cool and sympathetic, though she is given an unnecessary scene after dining with Mr. Ireson, so that we can see her free from her hospital gear. The other doctors, Richard Leech as the consultant bound rigidly to his Hippocratic Oath, and a couple of rival psychiatrists, are the best kind of medicos you have many times seen on your small screens.

No harm in this. Many more people will come to hear the play and cudgel their minds which side to take if they know that they are going to extract some "entertainment" from it. I found myself a bit disapproving at first; the second act caught me up in a welter of excitement. The play should attract multitudes, and it deserves to.

B. A. YOUNG

Micheal MacLiammoir dies

Micheal MacLiammoir, the doyen of the Irish stage, died on Monday at the age of 78.

He was born in Cork, but began his stage career in England as a boy actor under the name of Alfred Willmore. Then he briefly became a painter, studying at the Slade and travelling abroad. At 27, he went back to Ireland and to the stage, in Anew McMaster's Shakespeare Company. In 1928 he began his association with Hilton Edwards when they opened the Galway Gaelic Theatre and in the same year the Dublin Gate Theatre, which has remained under their management to the present time.

The list of his performances, both in classic and modern parts, is long and varied: he even played a resurrected Adolf Hitler in London in 1964. He will be most readily remembered for *The Importance of Being Oscar*, a one-man show that he devised himself in 1960, and which he toured all over the world for some five years. He wrote another one-man piece, *I Must Be Talking to My Friends*, another celebration of Irish wit, and a dozen other plays and adaptations, besides several books of autobiography and poems both in English and Irish. He was also an adept designer for the theatre.

B.A.Y.

Sadler's Wells Theatre

Ballet Rambert

by CLEMENT CRISP

As Dame Marie Rambert entered the auditorium at the Wells on Monday the audience rose and cheered her to the echo: a 90th birthday greeting of necessity a fortnight late, and a salute to a dear and wonderful lady. We owe her so much that it is best not to catalogue the extent of the debt, but one can at least say that this opening programme of her company's spring season is up to the standards she has taught us to expect across the years. It is fitting, too, that Christopher Bruce, one of the most gifted of her recent artistic off-spring, should produce two of the ballets, and also make a most welcome return as performer.

Bruce's *Promenade* opened the evening, with its pretty Watteau-esque manner, its sprightly, buoyant dances, and dreadful costumes for four girls. Its *fête galante* encounters sit neatly on two Bach flute sonatas, and the dances flow on with unimpeded charm. Bruce also closed the evening with a fine revival of *Wings*.

The evening's novelty was the first London showing of Glen Tetley's *Praeludium*, which is dedicated to Dame Marie, and which uses the early (1905) Webern string quartet and a quartet movement, both antedating his Opus 1. Late romantic music, it has inspired Tetley to create a work which seems to argue the consolatory quality of a woman (Lucy Burge) who is its focal point. We see her with three young men, to whom she is something like a mother-figure as well as an abstraction of femininity, an image they will also seek in the three girls who become their partners. Then Christopher Bruce appears. His relationship with Lucy Burge is by turns anguished and possessive: certain poses seemed to me like those in icons — but, as always with Tetley, we are free to interpret as we will, and the interest lies in movement rather than in possibilities of character.

It is a touching ballet, suggesting the discovery of some final calm at its close, and it is admirably danced by Lucy Burge, Christopher Bruce and their companions. Also very well performed was the remaining piece in the programme: Sara Sugihara's *Window*. Leigh Warren is now the prisoner who reacts to the opening of a window—the role was previously danced by Lucy Burge: does this make it the first unisex solo? The piece acquires far greater force from the stronger dynamics of a male dancer, and Warren was excellent in conveying the alternations of mood and the physical range of the solo.

Lucy Burge and Christopher Bruce

Wigmore Hall

Niel Immelman

by DAVID MURRAY

It was good to hear again Brahms' Variations on an Original Theme, op. 21 no 1, on Monday night. It is a fine, unfairly neglected work, perhaps too soberly coloured and stately of tread to serve as virtuoso-fodder; the elevated mood and particularly the reflective valediction suggest that Fauré may have remembered this music when he composed his own Theme and Variations. Niel Immelman allowed it to breathe steadily, and he was in command of its full-keyboard sonorities. The big tone he uses matched the scale of the writing admirably.

One of the variations shared with a passage or two of the Chopin Ballade in G minor the distinction of being played at a more or less genuine *piano*—or at any rate a not too insistent *mezzo-piano*. The rest of the recital was uniformly loud: not clangorous, but consistently, unyieldingly loud. Chopin's early B-flat minor Nocturne was bumpily loud, the left hand suggesting something more like a burly peasant dance than anything serenely nocturnal. As in the Ballade, Immelman gave no sign of recognising that Chopin's ornaments are intended to have an expressive value: they sounded like mere kinks in the melodic line. The climax of the Ballade was not prepared by any calculated tension, but simply stormed by force.

Mozart's last D major Sonata, K.576, was loud, efficient and faceless. In his Adagio in B minor, loud and plodding, the principal interest lay in the accompanying thirds and fourths, which acquired the character of a brutal ostinato. As for Bartok's Suite *Out of Doors*, with which Immelman opened his programme, the energy he gave its dance-movements was insufficient compensation for his manhandling of its most striking components. The essential finesse, and the essential pianissimo, were nowhere to be found in the "Night Music;" and the pulsating drive of "The Chase" carried a wildly inaccurate right hand. Bartok is surely entitled to his tunes.

Pindar of Wakefield

Rat

by MICHAEL COVENEY

A new lunchtime production company Shirk, has launched a season of playlets on "Modern Sins" with a tepid and underwritten half-hour piece by Clive Walker set in a derelict slum. Rubbish all over the floor, a tramp huddled in the corner, two boys rolling up joints: to say that the play is like a parody of bad fringe theatre would amount almost to an overstatement.

Why the lads are on the run from the police is not clear, so we must assume they have been busted. After dreaming of the day when all social security benefits for the sick and the crippled are re-allocated to zonked layabouts like themselves, they make way for a suited bureaucrat and his acquiescent secretary.

The bureaucrat is carving up the area for private gain and, once that is established, the couple go off to seal their collaboration in the bedroom. At this point the tramp rolls forward to moan about his decline from a comfortable home in St. Albans to alcoholic degeneracy in an attempt to "reach people." As a series of three ten-minute sketches, the play is woefully devoid of energy and wit and it is hard to see how each episode relates to the others in a broader dramatic context.

An aura of depressing, pretentious mediocrity is not dispelled by a glance at the programme, where we learn that Mr. Walker is of Rhodesian millionaire stock and indifferent to Beethoven, dubious credentials, I would have thought, for a playwriting career.

English Music Theatre announces 1978 plans

The English Music Theatre Company has arranged a full programme of activities from this month, in spite of the reduction in Arts Council subsidy announced last summer. They will start by providing the ensemble and small parts for the Royal Opera House revival of *Death in Venice*, Benjamin Britten's last opera, in March/April. The company will then revive its production of Britten's first stage work *Paul Bunyan* for the Schwetzingen Festival. This will be followed immediately by the Scottish premiere of this work at the MacRobert Centre, Stirling, at the end of May.

On June 8 and 10, *Death in Venice* is revived for the Aldeburgh Festival. This event is followed by the most prestigious visit the company has yet been invited to undertake. From June 20-30 the English Music Theatre will take part in the Maggio Musicale, Florence, with four performances each of Purcell's *The Fairy Queen* and Britten's *Paul Bunyan*, which is receiving its first performance in Italy.

On their return from Florence the company has been asked to take part in the City of London Festival with performances of Britten's church parables *The Prodigal Son* and *Curlew River* in Southwark Cathedral.

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The *authorities are likely to* have been pleased by yesterday's banking figures, and not only because the clearers report an increase in advances to manufacturing industry. The figure which the financial markets were looking for was the eligible liabilities of the banking system as a whole, which gives an advance indication—even if a rough and sometimes seriously misleading one—how the money supply has risen during the same period. In the previous banking month, a rise in eligible liabilities of nearly 2 per cent. *turned out to give* advance warning of a jump in sterling M3 of 2½ per cent.

There were, almost certainly, special factors at work. The tax rebate, for example, was concentrated in the banking month to mid-January; there were unusual difficulties about seasonal adjustment; and support of the dollar had its own contribution to make. Given the warnings so forcefully uttered recently by both Governor and Chancellor about the *folly* of bothering about a temporary divergence from trend, the markets might have relaxed. The awkward fact remained, however, that sterling M3 had risen during the first nine months of the financial year at an annual rate of 14¾ per cent., against an official target of 9-13 per cent. It would not be easy to get back *into line* in time.

Below 1½%

Whether or not the Government chooses to get back into line at all costs remains to be seen. It was a question recently raised in public, but not *answered, by the Permanent* Secretary to the Treasury, who pointed out that one had to balance the relative disadvantages of alternative courses, which were likely to vary from one time to another. But at any rate, the February banking *figures are an improvement*, with the rise in eligible liabilities back below 1½ per cent. The gilt-edged market, which had feared worse, gave a loud sigh of relief.

Even if the figures had been worse, *however*, gilt-edged would not necessarily have fallen: the expectation of a sharp rise in eligible liabilities was due to widespread reports of window-dressing by the banks. The object of this window-dressing, which may have distorted the figures for the previous month to some extent, would be to reshuffle the pattern of liabilities so that, if the Government decided to re-impose restrictions on the growth of bank deposits as a means of curbing monetary growth, they would begin to *operate from a larger base than* otherwise. To the extent that window-dressing has taken place, the rise in eligible liabilities has moved ahead of the rise in the money supply. The Government statement, that the corset might be reimposed if necessary at an arbitrary base level, came too late to affect the latest month's figures.

Trend-spotting

The markets were aware that the figures might be artificially swollen in this way. The fact that the rise is markedly smaller than that of the previous month is all the more impressive. But whether the reports of window-dressing were much exaggerated or whether the rise in sterling M3 for the February banking month turns out to be reassuringly small is something that will not be known for another ten days or so. This emphasises once again the folly of excessive trend-spotting in the monetary field, which *may* still persist after we have moved over to a system of rolling targets. One useful reform could be made at once, if the clearing banks were ready to co-operate. *If* all the banking figures were published on the same day as the money supply figures, ten days of uneasiness each month would be avoided. It hardly needs saying, of course, that such a change of practice would be better made at a time when things are going better than expected than when they are going worse.

The letter from MITI

MR. EDMUND DELL, the Trade Secretary, has won formal assurances from the Japanese Ministry of International Trade and Industry (MITI) which should, at least temporarily, end the outcry about the level of Japanese car exports to this country. The MITI letter is a first in a number of ways. It is the first time that a pledge to *limit exports to Britain* has been backed by an arm of the Japanese Government rather than just the motor industry. It is the first time, too, that the pledge covers commercial vehicles as well as cars. Besides that, it is notable that the Japanese share of the British car market this year should go down, in percentage if not in volume terms. In 1977 it was 10.6 per cent. Last January it was 13 per cent. Mr. Dell now believes that if the assurances are kept, it will fall back to a little under 10 per cent. for the year as a whole. In return, the Trade Secretary has apparently told the Japanese that he does not now intend to go forward with plans for any more formal *restrictions on the import of* Japanese vehicles.

Annual

The first reaction to all that is that it could have been worse. Voluntary restraints are preferable to import controls, though it is perfectly clear that the Japanese have been exercising some sort of restraint all along—otherwise their share of the British market could easily have been much higher. And yet even voluntary restraints are the thin end of the wedge. It is hard to see how once they have been introduced, they can be lightly cast off. Mr. Dell hopes that next year an agreement will be reached between the motor industry groupings of the two countries without the need for Government intervention. That might be so, but it would require a quite unexpected recovery by the British industry for the British side to abandon the case for restraints altogether. One suspects that the haggle over the Japanese share of the British car market is becoming an annual event.

There is also an ominous sign in the way commercial vehicles have been slipped into this year's deal. The Japanese share of the British market for light commercial vehicles in 1976 was just over 5 per cent. In 1977 it rose to just under 8 per cent. But what the agreement omits to note is that some of these vehicles are of a kind which no British manufacturer produces, yet for which there is obviously a demand.

Reconstruction

The case of heavy commercial vehicles is even odder. The MITI letter states: "Heavy commercial vehicles (over 3.5 tons) will not be shipped directly from Japan to the U.K." The fact is, however, that such shipments have scarcely existed in the past. British imports of heavy Japanese vehicles last year amounted to 36, and they came from Ireland. It is difficult here not to see the entry of protectionism even before there is a call for it. It may be called a preventive measure, but it does not fit well with Mr. Dell's general preference for free-ish trade.

That said, it is now up to the British industry to take advantage of such restrictions as have been imposed. If the gap left by keeping the Japanese market share down to 10 per cent. is merely filled by more imports from Europe, it cannot expect much sympathy, and the Japanese *complaints* that they are being discriminated against will have been justified. Nor is it a matter only of supplying more of the British market: there is also the question of increasing exports. Britain's car deficit with Europe last year was *much greater* than its deficit with Japan. The U.K. industry is said to be undergoing a process of reconstruction: hence the need for the restraints on imports. But it cannot plead that indefinitely.

Carter and the miners: the unmanaged crisis

BY JUREK MARTIN in Washington

EVEN HIS most ardent supporters agree that President Jimmy Carter could do with a victory. Ten days ago, after the White House had persuaded the coal operators and miners to reach a provisional settlement to the three-month strike, there seemed a chance that he had pulled one off. But, as Edward Heath could have told him, miners can be troublesome.

Therefore, with the national coal settlement in ashes, and with the likelihood that the majority of the members of the United Mine Workers will defy the law and stay off the job, President Carter is suddenly faced with the toughest test of his leadership qualities so far in the domestic arena. While it is true to say, in defence of the President, that he has placed before the American public a whole series of hard issues that a more political or less brave leader might have ducked or finessed, it is also accurate to point out that the list of his achievements is not as long as it might be—and not as long as is considered necessary to satisfy a nation that, Vietnam and Watergate notwithstanding, still likes to watch a strong chief executive in action.

No easy choices

There is no doubt that, if he had had the choice, Mr. Carter would have preferred the miners not to become the litmus test of his leadership. As Mr. Jody Powell, his press secretary, recently noted in discussing the three courses of action open to the President—invocation of a "cooling off" period under the Taft-Hartley Act; seizure of the mines and compulsory arbitration—"there is in every decision paper I have seen a much longer list of cons than pros for each one of them."

For many months now, the President's chosen battlegrounds have been two issues—ratification of the Panama Canal treaties by the Senate and congressional passage of the Energy Bill. There seems to be a good chance that he is on the verge of a significant political triumph on the first, which, if realised, will be a notable testimonial to patience, perseverance and persausion. It may not be the sort of victory which, outside the western hemisphere, will attract the headlines, but *domestically it counts for much*, especially for a President who has been accused of political inexperience.

The progress of the Energy Bill has been much less happy, although the prospects of Mr. Carter *getting perhaps half a* symbolic loaf still exist. The President has tried the same subtle, almost deferential approach which baffles foreigners but which seems to be working in the case of the Panama Canal. With *energy it has been less* successful and appears to have encouraged, rather than lessened, congressional delay and intransigence. However, it is increasingly probable that Mr. Carter will resort to unilateral executive action—in the form of levying additional duties on imported oil, for example—in the not too distant future.

But it is his handling of the coal strike which is the key criterion. Some critics have charged that the Administration woke up too late to the sheer intractability of the miners' dispute and that Mr. Ray Marshall, the Secretary of Labour, was too self-effacing to use the sort of influence his position gave him at an earlier stage of the negotiations. But this disregards a decision taken at the very highest levels of Government to give the collective bargaining mechanism its maximum chance—and to step in only when it had failed.

Fleetingly, that intervention appeared to be successful. The pressure the Administration brought to bear on both the miners' bargaining council and the Coal operators in the last fortnight in February was an almost classic exercise in Presidential authority. The key manoeuvre of persuading the mine owners to accept a contract they were inclined, in their determination to break the union, to turn down, was pulled off by the one acknowledged traditional politician in Mr. Carter's inner circle.

It was Mr. Robert Strauss, the Special Trade Representative. He felt no compunction about bringing to the attention of the steel companies, with their large captive coal subsidiaries, that the Administration had put into effect, and was quite capable of amending, a system of reference prices for imported steel which is designed to afford them a measure of protection against foreign competition. Whether suggested by Mr. Strauss or not the threat, two Fridays ago, that the President would go on national television to announce, presumably, a temporary Government take-over of the mines, served to concentrate the minds of the operators.

But it soon became clear that the miners themselves, whose confidence in their union leadership was entirely dissolved, and whose sense of injustice was aggrieved by the anti-strike provisions and reduced social and medical benefits in the proposed contract, were in no mood to settle. Thus Mr. Carter found himself with his options curtailed. He might have coupled his invocation of the back-to-work Taft-Hartley Act with seizure of the mines, and did indeed sweeten Taft-Hartley by offering the miners the new rather than the *old* contract rates of pay. But in the end he determined that it was the miners who were the principal obstacle, and therefore the miner's on whom the screws had to be turned.

It has emerged that Mr. Carter made up his mind quite early last week that his only recourse was to Taft-Hartley, the bane of the union movement, but did not communicate his decision to his closest advisers before the week-end. The reason, it is said, is that if he had passed the word on, last minute attempts to persuade the miners to settle would have been weakened. In fact, the incident speaks volumes of Mr. Carter's approach to the exercise of the presidency.

The President likes to think of himself as a rational man, the sort who, after much thought and study of the minutiae of a case, comes to conclusions which, since he considers them reasonable, all reasonable men should accept. Of late he has begun to modify some of *his* inclinations because of political considerations, but the visceral streak remains: thus "three martini" business lunches are wrong and should not be allowed as a tax deduction, regardless of the political storms *that such a relatively small* financial saving might provoke.

Many of his decisions are taken privately. While it is true that Mr. Carter has encouraged a collegial form of government, in practice his cabinet has rarely asserted itself either collectively or individually. Most of Mr. Carter's senior appointees are technicians and managers, that is what he wanted when he chose them to help make government more efficient and responsive. But it has also left much of the policy burden on himself, on Vice-President Walter Mondale, on his closest White House staff, and on individuals like Mr. Strauss. Mr. Carter's increasing reliance on the politically wise Mr. Strauss is evidence of his at least partial recognition that managers cannot do everything, particularly in Washington.

Supremely confident

The rational, non-imperial Carter remains the central force, supremely confident of his own intellectual abilities. As he has said on many occasions the one thing he dislikes is "crisis management," because it is the antithesis of a reasoned approach. The trouble is that presidents often thrive on crises. Even Mr. Gerald Ford, unassuming that he was, understood that a president sometimes had "to do something." His popularity was never higher than after he had sent marines to recapture the warship Mayaguez from the Cambodians in 1975. President Lyndon Johnson did not suffer in the polls because of the Gulf of Tonkin resolution which escalated the Vietnam war, any more than did John Kennedy in the immediate wake of the *disastrous Bay of Pigs* invasion. Yesterday, Mr. Carter invoked the Taft-Hartley Act in an almost perfunctory, even apologetic manner, accompanied by none of the drama that is normally associated with such a major step.

The President is running the risk of being hoist on a his own petard. He wants to be judged on the strength of competence. But, rightly or wrongly, the public, according to the polls, finds that he is not as competent as he might be. His personal popularity is not in doubt, with even his sharpest critics praising such disparate public performances as his conduct during the funeral ceremonies for Hubert Humphrey and his charm and wit at a recently televised White House concert given by Vladimir Horowitz, the pianist.

There are perfectly good logical reasons for not overreacting to the coal strike and turning a serious issue into a frenzied one. Although the economic consequences of a *prolonged strike are beginning* to be felt, the country is far from being in a catastrophic state. Mr. Alan Greenspan, Mr. Ford's economic adviser, has calculated, for example, that if only a third to half of the miners go back to work, the economy will muddle through without serious damage.

There is a danger that confrontation with the miners will provoke an anti-Government backlash, but it may be tempered by the conservative sentiments of many members of other unions who feel that their own jobs may be put at risk. There seems to be a general feeling in the country that the miners are a special case, in that coal is an industry with unique managerial, labour and social problems. This may explain why politicians, newspapers and other opinion makers have been to date so loth to jump in with criticism of the way President Carter is handling matters.

Nevertheless, Americans still like their President to give a lead. Harry Truman was the source of many a dictum, one of the best of which was quoted by Mr. Tom Wicker, the New York Times columnist to-day: "The principal power that the President has is to bring people in and to try to persuade them to do what they ought to do without persuasion. . . That's what the powers of the President amount to." In invoking Taft-Hartley, Mr. Carter has called on the law to provide most of the persuasion: he may need to be seen to be doing more than that.

Glyn Genin

President Carter (left): his handling of the coal strike could cause a reaction of sympathy with the miners. Right-hand picture shows miners triumphantly carrying gifts of food received from farmers sympathising with them.

MEN AND MATTERS

Rough water at the Palladium

This must be the moment for Townsend Thoresen to adopt a new motto: "There is no business like ferry business." After all, if you are carrying 600,000 cars a year across the Channel, why go hiring the London Pal*ladium for a fortnight* — *especi*ally when all you may get for your trouble is a metaphorical custard-pie in the face?

For readers who are not breathless fans of such entertainers as Perry Como, Diana Ross, and The Carpenters, I *should explain that TT is spon*soring an all-star festival at the Palladium in the first half of May. The total outlay, a good part of which the company hopes to recoup by ticket-sales, exceeds £½m. The eyebrow-raising aspect is that, before you can buy a ticket for any of the shows, you first have to pay for a return booking to the Continent for a car and at least two adults by Townsend Thoresen. That will cost you at least £50.

The company's line is that it *is doing its customers* a good turn by giving them priority. But my inquiries show that they are enraging the public at large and the theatre ticket-agencies in particular. "It has been a bundle of aggravation from start to finish," said an executive of the Mayfair agency, Lacon and Ollier. "It has put the public's back up."

The manager of a leading Shaftesbury Avenue agency said: "The whole idea is amazing." He also had views on the prices of seats to see the stars —*some of whom are being paid* nearly £50,000 a night. "£20 for the front stalls for Perry Como!" he cried in fitting hystrionic style. "And £12.50 for Petula Clarke. She was only £6 last year."

So, who had given the ferry-men the idea? I tracked down Len Castle, who told me he was a theatrical entrepreneur. He said that people who complained were "looking at it back to front." The fans would get the tickets, without queuing. Castle assured me that this was the "first of many" sponsored enter*tainments he was planning*.

Townsend Thoresen have scattered leaflets far and wide about their promotion. They need to, with 50,000 seats to sell in such daunting conditions. I asked how sales were going. "It is a bit soon to say," a spokesman replied, then reiterated the argument that, but for T.T. sponsorship, some of the stars would not be visiting Britain at all this year. After March 31, T.T. would dispose of unsold tickets "at its sole discretion." Even to those of us who don't want to buy ferry tickets? My question was quickly deflected.

The star on the first night at the Palladium will be Mike Yarwood. Perhaps he will give an impersonation of Townsend Thoresen managing director, Brian Thompson, giving an impersonation of Lord Grade.

Ship shape

British Shipbuilders are set for a paint job now that Keith McDowall is moving to head its information services. He is moving from the Department of Employment, which could be useful background given the yards' problems. But he has had some other difficult jobs in the past, not least giving William Whitelaw a spruce image in Northern Ireland.

Whitelaw brought him back to London *to be director of inform*ation at Employment. Whitelaw and the Tories of course soon went because of the miners but McDowell stayed on and has been a watchdog of the government's pay policy. His salary for his increased duties? "A modest increase," he told me.

Unsettled sect

The Middle East has seen its standards change since Sadat *met Begin but I never thought* I would hear of Jews asking that a part of Jerusalem should be declared a Jordanian settlement. The demand comes from the Neturei Karta, a sect of some 1,000 faithful who believe that the Kingdom of Israel can *only be re-established by the* Messiah himself and thus regard to-day's Israel as a blasphemous, secular creation.

Their name means "guardians of the city" and they live in the Mea Shearim (Hundred Gates) quarter of Jerusalem. They spit and throw stones at women with bare arms.

Israelis treat them as a joke though a few have just a sneaking suspicion that there might be some justice in their talk of blasphemy. During the fighting for Jerusalem in 1948 the Neturei Karta tried to surrender to the Jordanian legion. Since the 1967 war they have been unable to visit the Wailing Wall as they have pledged never to visit the holy sites in the Old City as long as this is controlled by the "Zionists."

But now they have a "solution." Three members of the sect are to travel on U.S. passports to Jordan, hoping to visit King Hussein. If he will declare their settlement a Jordanian settlement then they argue they can obtain his permission to visit the Wall.

Tricky twins

If you happen to be a long-distance runner or a laundry worker, Dynamo may be just the product for you. But make sure you buy what you want. Colgate-Palmolive are now marketing a liquid detergent with this brand name, even though Beechams have had their own Dynamo, an energy booster, for years.

There could be some mix ups *ahead, with it seeming better* to be a washing machine than an athlete.

Kindly thought

From the staff magazine of a Leeds company: "Although J. Edgar Hoover was always prepared to take a calculated risk in his position as chief of the FBI, it is said that he never ate any of the many delicacies sent to him by unknown admirers for fear that someone might thereby try to poison him. He gave such food to orphanages and similar institutions."

Observer

هكذا من الأصل

Tractors follow the world economic rut

BY ARTHUR SMITH

E U.K., as the leading manu- ;urer of agricultural tractors Western Europe, could dly expect to escape the ynturn in world demand from record levels of recent rs. Unofficial estimates hin the industry suggest that und 16 per cent. of tractor put in the free world, luding Japan, is supplied m Britain.

Massey-Ferguson and Ford, two companies that have tled over the past decade for dership of the U.K. market, re both announced extensive our lay-offs. International rvester, which has thrust its y into third position, has been ced to seek 310 redundancies. is not the home market that causing the problems—every- had expected a downturn at least 5 per cent. from the 788 tractor registrations lieved last year—but the ernational spread of the fall. actor production, though it w ranks as one of Britain's ditional industries, is truly ernational, with each of the main U.K. manufacturers porting at least 75 per cent. its output.

Only British Leyland, the allest, with an output of some 000 a year and an estimated K. market share of around 5 r cent., is British owned. The three, plus David Brown ith 10 per cent. of the U.K. rket) which is part of the S. Tenneco Group, are North nerican-based multinationals. In 1977 alone U.K. tractor ex- rts totalled £460m. and the rplus on visible trade was rth nearly £400m. All com- nies are allocating funds for estment to increase their K. operations. The only big ltinational not represented the U.K. is John Deere. is U.S.-based company tried establish production facilities re than 20 years ago, but eventually located its main European operation in West Germany.

At present, manufacturers are treating the fall in demand fairly calmly, pointing out that the downturn is from an unexpectedly high level. The past boom can be traced to 1972, about the time of the intervention by the Soviet Union to buy up the United States' grain surplus. Farm commodity shortages led to higher prices, which attracted more land into cultivation and placed new demands upon the agricultural equipment suppliers. In the U.K., profits from potatoes and other crops gave farmers the funds and the confidence to press ahead with new investment to push tractor sales to a record 38,381 units in 1976—well above the forecast trend for the current decade of just over 30,000 vehicles a year.

But, as suppliers to a cyclical industry like agriculture, the tractor manufacturers have learned to live with sudden swings in demand. From a position of running plants near to full capacity, overtime working, and long delivery delays, companies are now having to fight for orders and to cut production programmes. Good harvests in 1976, and consequent large stocks, particularly in North America, have held down world prices of wheat and feed grains, reduced farmers' liquidity, and eroded investment confidence. To the downturn of demand from the advanced western economies must be added the political and economic uncertainties which hamper sales to the developing nations.

Massey-Ferguson, International Harvester, and Ford have attributed part of their production cutbacks to the economic crisis in Turkey. From being the biggest market for U.K. tractors in 1976, with sales of 19,413, Turkey took only 7,527 units last year. The contract won by International Harvester to supply 2,500 tractors a year in addition to 4,000 sets of components ended with the decision by the Turkish Central Bank to restrict imports merely to "emergency and strategic" goods.

For Massey-Ferguson, the virtual closure of the Turkish market, to which it supplied more than 8,000 units a year, has contributed to the planned lay-offs at the Banner Lane factory, Coventry. Banner Lane, claimed to be the largest tractor plant in the western world, supplies vehicles and components to about 190 countries, and last year accounted for 27.5 per cent. of the Canadian-based multinational's 172,800 world tractor sales.

Though the scheduled lay-offs are extensive, the possibility of redundancies has not yet been raised. However, management has told the unions that not only are prospects poor for an improvement in demand, but also that a number of markets will need to pick up just to support present production programmes.

Massey-Ferguson is particularly exposed because of the aggressive expansion policy pursued in recent years. Whereas major rivals, like John Deere and International Harvester, have a strong home-base with the bulk of their sales going to the less volatile North American market, Massey-Ferguson has looked to the growth markets of Latin America and Third World countries. Despite the risks posed by political and financial instability, the Canadian company has invested in countries like Brazil and pioneered joint venture schemes with states such as Iran and Libya.

BRITISH EXPORTS OF TRACTORS*

(In Units to Selected Countries)

	1975	1976	1977
Belg.-Lux.	930	1,221	1,942
Denmark	2,947	5,908	4,498
France	2,181	2,116	2,801
West Germany	1,468	1,515	1,368
Irish Rep.	8,496	10,974	11,849
Italy	351	657	592
Netherlands	2,306	2,186	3,371
EEC	19,669	25,497	26,421
Austria	2,792	2,476	2,370
Finland	5,513	4,854	6,713
Iceland	247	260	372
Norway	4,805	5,155	5,543
Portugal	1,180	2,787	2,519
Sweden	6,652	4,743	3,930
Switzerland	868	277	223
EFTA	22,057	20,552	21,670

	1975	1976	1977
Australia	8,878	5,345	5,786
Canada	5,092	3,947	2,729
Greece	2,093	3,425	4,747
India	4,723	6,304	†4,910
Japan	5,202	4,819	4,714
Libya	1,183	1,010	1,718
Morocco	501	1,415	1,468
New Zealand	2,993	2,516	3,442
Nigeria	1,515	1,141	2,141
Pakistan	5,761	10,272	7,686
South Africa	12,423	6,165	2,933
Thailand	3,390	3,237	4,171
Turkey	12,116	19,413	7,572
U.S.	7,695	7,915	5,716
Venezuela	2,340	1,990	1,522
Total exp.	136,289	140,570	126,077

* Farm and track laying tractors including used tractors. † Under investigation.

Source: Agricultural Engineers Association

The world tractor market is fiercely competitive, with the multinationals often negotiating direct with governments for the big contracts. The very size of such projects is another factor contributing to the uneven flow of new work.

The Japanese, with an annual output of around 250,000 units, have so far concentrated their attention upon the small horticultural-type tractors of up to 30 hp. Leading multinationals have made arrangements to market these vehicles in the West. The Japanese are beginning to show an interest in moving upmarket into the larger tractors, but are not regarded as an immediate threat.

However, incursions by the East European nations into the free world markets have caused ripples of concern. Complaints have been made about the low-price of mass-production models offered by Belarus, of the Soviet Union; Ursus of Poland; Zetor, Czechoslovakia; Universal, Romania; and Forschritt, of East Germany. But the multinationals are confident that, at a time when they can offer early supply, they can present a total package sufficient to hold off the challenge of the Comecon countries.

Given the competitive confines within which they must operate, the multinationals are constantly examining the merits of drawing components and units from one plant rather than another. The point was underlined by Massey-Ferguson during the damaging 11-week strike at the Coventry plant last year. Management pointed out that assembly operations in the city were under threat, not only from domestic and foreign competition but also within the structure of Massey-Ferguson worldwide. Since the late 1950s the Canadian company has reduced its dependence upon the U.K. by increasing tractor assembly and manufacturing facilities in France. Imports from the Beauvais plant helped to offset the damage inflicted upon the company by the Banner Lane strike. But Massey-Ferguson argues that the Coventry factory remains competitive, and has announced plans to improve and expand production facilities.

The assembly operations of the Banner Lane plant, as a proportion of world activities, will undoubtedly decrease as the company pursues its policy of setting up local manufacturing facilities to overcome the tariff, tax, and other barriers imposed by the developing nations.

Ford, which took advantage of the Banner Lane strike to claim a 31.4 per cent. share of the U.K. market last year, has announced a £12m. plan to modernise and increase the capacity of its Basildon plant. The U.K. operation, with an output last year of 47,825 units, accounted for more than one-third of Ford's world factor sales of 125,075. The fact that the 4,000-strong Basildon work-force supplies engines and hydraulic equipment for Ford tractors world-wide makes it vulnerable to any general downturn in trade. More significant, Basildon is geared to supply "rest of the world" markets, with the Antwerp factory serving the more stable Common Market and the Michigan plant concentrating upon the United States.

International Harvester, partly because of its success in introducing a new range of tractors to comply with noise regulations, has increased its claimed share of the U.K. market from 7 per cent. in 1973 to 16.5 per cent. last year. An 18 per cent. reduction in the 1,700-strong work-force at Bradford is planned, largely to overcome problems posed by the loss of the Turkish contract. But, at Doncaster, where 4,700 are employed on manufacture of tractors and other agricultural equipment, there were no plans to reduce manpower. Some £11m. of new investment was announced only last year for the U.K. plant.

The main question confronting all the manufacturers, though they are affected to varying extents, is how deep and how prolonged the current recession will be. In the important North American Market, the average annual volume of agriculture tractor sales in the period 1966-1976 has declined at an average annual rate of 1 per cent. But within the total there was a move towards larger tractors: sales of vehicles of more than 80 h.p. increased at an annual rate of 1.7 per cent., reflecting the move towards fewer but bigger farms—a feature common to all the developed nations. Another factor increasing the value, if not volume, of sales is the demand for greater sophistication in vehicles. Technological advances have been made in areas such as hydraulics and transmission.

Reflecting the low farm commodity prices, unit tractor sales declined by around 9.7 per cent. in North America during 1977, and are expected to show a further 9 per cent. drop in the current year. In Western Europe, sales in 1976, at 340,000, were little different from the level ten years earlier, but fell last year and are likely to decline by a further 8 per cent. in 1978.

In Latin America the average annual 10.9 per cent. growth in unit sales continued into 1977, but is expected to fall by 6 per cent. this year. Performance depends largely upon Brazil and Argentine, both of which are currently suffering from rapid inflation, serious balance-of-payments problems, and credit restrictions.

It is difficult to generalise about the developing nations of Africa and Asia, but sales have tended to increase by around 13.6 per cent. a year over the past decade. Despite a 3 per cent. fall in 1977 and continuing economic problems in important markets, like Turkey and Pakistan, an overall 2 per cent. growth is anticipated for the current year.

Against such forecasts of market trends, the mood of manufacturers at this stage is more one of uncertainty than concern. The present down-turn is seen merely as a temporary, if inevitable, cyclical set-back in an otherwise expanding pattern of world demand. In the developing countries, there is a powerful political impetus to raise agricultural output. For the industrialised nations, with their high labour costs, the drive to improve efficiency, yields and profitability will inevitably increase demand for expensive and more sophisticated tractors.

Letters to the Editor

Law and order

om the General Secretary, e Labour Party.

Sir,—Your correspondent, Mr. ristopher Radmore, who writes arch 4) on behalf of the lborn and St. Pancras Con- vative Association, seems to following out the Conser- tives' present propaganda ategy.

There is now a standard ttern: (1) find something that frightening some people; (2) ossly exaggerate; (3) blame it the Labour Government; (4) ggest that a Conservative vernment would eliminate the r.

Mrs. Thatcher's race scare set pattern. She must have own that 96.7 per cent. of the idents of the U.K. are white d only 3.3 per cent. are oured (including those of xed descent), yet she talked TV to an audience of millions ling them that people were ltimately worrying about ng "swamped." As a result this a number of Ilford ctors, street interviewed on said "I switched to voting nservative because they will p immigration." Hundreds d our canvassers the same ng. Did Mrs. Thatcher really nk that 3.3 per cent. of the pulation were about to swamp per cent. and would she lly put a full stop to immigra- n?

Now to Mr. Radmore. I share grave concern of responsible iticians for the extent of mes of violence. Mr. Radmore s, more modestly than the nservative leadership, "A nge of Government will viously not bring overnight nges but the attitude of the blic, many of whom are afraid open their doors at night or afraid of being attacked in ad daylight, is now such that more 'soft' politicians like Rees . . ."

Are people really afraid of lking the streets in broad day- ht? I haven't met any such. 't this just standard Tory aggeration? How many people afraid of opening their doors night? There may be a small mber, but of course if the ies keep this up the number frightened people may grow. this not just another example the politics of fear?

Labour has devoted greater re- rces to combating rising me than the Tories ever did. the life of this Government, have spent £250m. more in l terms on public expenditure ering law and order and pro- tive services than was being nt when we took office. An ra £50m. was pumped into the tem last year.

The greatest deterrent to the minal is police on the street. ggestions that the number of icemen has fallen since the ies lost office are just untrue y propaganda. By the end of , Britain had 7,500 more icemen than it did in 1974 cluding 1,300 more in the tropolitan Police District). We l need more.

Last year we passed the minal Law Act—strengthen- the hand of the law and the rts against a larger number offences. We also increased the alties in a number of areas.

n Hayward.
nsport House,
ith Square, S.W.1.

Industrial democracy

om the Director General titute of Directors.

Sir,—It would be invidious to long unnecessarily the correspondence in your columns about "industrial democracy." But I must ask one question of Mr. Peter Brooke, secretary of the Cambridge Workers Control Group, who took the trouble to react to my letter through your columns (March 3).

May I ask Mr. Brooke why his "sovereign beings" should bother to assemble in their board room at all if they are not going to worry about satisfying their customers? If they do not place their customers first and serve them well, they will not have to face up to the problem of "placating the various interest groups within the factory" for there will be no factory! Business is a complicated, sometimes tedious process of mutual service, not Mr. Brooke's fairyland in which giants and dwarfs fight for secret hoards of treasure.

Mr. Colin Darris, who also reacted to my letter, takes issue with me over the matter of the party to whom the company owes its first duty. I think we are both saying the same thing. My point is that the company cannot carry out its duties towards any of those with a proper interest in it—including both shareholders and employees—unless it has first made sure that its customers are satisfied. Unless it has done that, there will be nothing with which to reward those other parties. Profit, after all, in a free market is the measure of the board's success in serving the customer, the difference between the customer's assessment of value and the cost of the human effort used to create it. Profit is also the owner's reward for risk and investment.

J. Hildreth.
116, Pall Mall, S.W.1.

Representing Rhodesia

From Mr. J. Gibbs.

Sir,—The Foreign Secretary has, it appears, gone out of his way to ignore the Zimbabwe United People's Organisation which is led by Chief Jeremiah Chirau. Lord Carver, on his recent visit to Salisbury, refused to meet them. Dr. Owen chose not to deliver to them a copy of the revised, post-Malta Anglo-U.S. proposals. He has now excluded them from the invitation list to the United Nations headquarters in New York. All this despite the fact that it is the expressed wish of the Foreign Secretary to involve all interested parties in the discussion, and despite the fact that ZUPO has considerable following within Rhodesia.

I hold no particular brief for ZUPO, or its leaders, but I do know them personally, and know something of their qualities and abilities. Both Chirau and Kayisa Ndiweni—the vice-president of ZUPO—are chiefs; they are the senior (elected) Mashona and Matabele chiefs respectively; the institution of chiefs pre-dates by many decades the advent of the Smith Government; and the role of the chief continues to be a very important one in the lives of probably the majority of Rhodesian subjects.

Both Chirau and Ndiweni have been, it is true, members of Smith's Government. But by no means is it true that they have been compliant Ministers. They were largely responsible for the abolition of much racial discrimination, as well as for considerable development in the rural areas. When they considered that the Smith Government was moving too slowly, they resigned their posts and formed their own party. In the preparations for the "internal settlement," which were taking place already in the first half of 1977, it was Chirau and Ndiweni who took much of the initiative; in the more recent, semi-public, sessions ZUPO has played a full, and sometimes vital, part.

If it is the Foreign Secretary's belief that it is the people of Rhodesia who should decide their own future, it is distasteful in the extreme that he should seek to exclude those who represent a sizeable section of the population. It is to be hoped, also, that the British media will give a fair hearing to this body of opinion. Your own African Affairs correspondent could help.

J. McK. Gibbs,
The Old Sanatorium,
Clifton College, Bristol.

Democratic election

From Mr. R. Tremlett.

Sir,—Ian Smith is handing over Rhodesia to a black democratically elected government on December 31. In doing this his hand has largely been forced by Messrs. Nkomo, Mugabe and probably to a lesser extent a flagging economy. Mr. Smith has invited Mr. Nkomo and Mr. Mugabe to lay down their arms and take part in the democratic election.

This election and the black government that will follow it will give Zimbabwe everything that the freedom fighters claim to have been fighting for. The one fly in the ointment is that Mr. Nkomo and Mr. Mugabe know only too well that in an election they would be politically massacred. But having done all the work they quite naturally want to get the reward. Because of this, Mr. Nkomo and Mr. Mugabe want no truck with any democratic nonsense. All very simple and straightforward.

Britain and America should give full support and recognition to the coming black democracy. It seems likely that the black Rhodesians currently fighting for a black government in Rhodesia will go back home when this becomes an established fact. Unless Britain and America support the new regime they could easily find themselves supporting a mixture of Cubans, Russian advisers and general riff-raff. This probably would'nt worry Dr. Kurt Waldheim or Mr. Andy Young, but it ought to worry Dr. David Owen.

R. A. E. Tremlett.
1, Love Lane, E.C.2.

Rent value taxation

From Mr. R. Grinham.

Sir,—There is a great deal of difference between land and a Rembrandt painting (Mr. M. Brady, March 3). The latter was the product of human labour and is therefore a fit subject for personal ownership, but the land was made by no man, and its *ownership* by individual people cannot be justified at all.

There is another difference. Land is absolutely essential to human life and existence; no man can do without it. Paintings are not essential to human life, but think of the consequences if every family was compelled (by legislation) to have an original painting in its house. Quite a different prospect altogether!

Land is different from labour and capital in its economic effects. If labour does not work (until the advent of the welfare state) it starves. If capital goods are not used, an income (interest) is foregone and the capital itself depreciates. If land is held out of use, an income (rent) is foregone, but the land itself does not deteriorate. On the contrary, in normal circumstances, it increases in value. There is thus no penalty on holding land out of use—in fact it is profitable to do so—and this has enormous economic consequences.

There may well be a large amount of land unemployed because of its undesirable location. That does not matter. Land that no-body wants to use is not important. What matters is the large amount of land that people do want to use, but which is held out of use pending a higher price.

Speculation in land is quite different from speculation in commodities. Commodities are not in fixed supply, and the effect of speculation is to even out prices and adjust supply to demand. Nothing like the same effect is had on land however. Speculation in land merely forces up its price to ever higher levels because supply cannot be increased.

It is true that with land value taxation the selling price of land would fall towards zero, being totally extinguished when the tax took 100 per cent. of the rent. Land value taxation is not a measure of land nationalisation, however, for "ownership" and control would remain as now. It is, however, a measure of rent nationalisation, and that is as it should be for the land belongs in right to the whole community.

There would not be any difficulty of valuation, or assessment, even under 100 per cent. land value taxation. Selling price would disappear, but rental value remains, and that is what is assessed. The assessment would be based on rents actually passing, and would be revised every year.

R. C. Grinham,
Polperro,
12, Kimberley Way,
Chingford, E.4.

Land price explosion

From Mr. T. Graves.

Sir,—Surely Mr. Bradley's suggestion (February 20) of restrictions on bank lending for the purchase of land would be impossible to enforce so as to significantly effect the prevailing price. In any case we hardly need more restrictions.

The practical and just answer is to apply an annual tax on land. The principal elements of this tax is that it is based on the annual value of the site—how much is a user prepared to pay for access to that place to the exclusion of other users—and it thus returns to the community as a whole exactly the value which the community has created. It reduces the purchase price of land to zero, as Mr. Brady (March 3) rightly asserts, thereby releasing into use acres which are now held out of use or in underuse pending profitable resale. It resolves the question of urban sprawl and centre city decay, and in its further implications goes a long way toward the creation of a just society in which enterprise is rewarded but "ownership" is not.

If Mr. Brady cannot distinguish land from paintings, it would be better to tax the latter than to dismiss this form of tax because of them. Of course land is unique. It is free! No-one had to make it. Its value is created by other people, the community which surrounds it; at least the bulk of its value is in this category. It should be noted that a tax on annual land value does not include buildings. There is no reason why a competitive market in annual site values should not replace the present market in inflated ownership values — the only difference being the beneficiary, who would now be the community. All taxes on production and income could be drastically reduced.

As to compensation, to my mind the boot is on the other foot. The annual value has largely fallen into private hands for hundreds of years probably since the Enclosures Act. That was not justice. Let us let bygones be bygones and start doing it right, now.

T. H. Graves.
8, Spring Terrace, Paradise Road, Richmond, Surrey.

The canal system

From Mr. M. Lusby

Sir,—I was very pleased to see the Financial Times devote three articles (March 2) to the situation—which has now been brought out into the open—regarding the appalling treatment of British Waterways Board by the Department of the Environment.

I would, however, take up the statement in the Editorial comment reference Ministers' reluctance to commit themselves to major expenditure for . . . "a small and declining commercial significance and which are largely and increasingly recreational."

Responsibility for the canal system being small and of declining significance (if indeed it is) lies wholly with the Ministry. It is they who have refused to assist and, in fact, placed obstacles in the path of progress.

There is nothing wrong with the canals being largely and increasingly recreational — the increase, thankfully, may assist in some small way in keeping them alive and, incidentally prove a source of income. Also, since when has sport or recreation been of so little interest to Governments, large advertising concerns, tobacco companies, breweries, car manufacturers, etc.? After all, the Government appeared to think it significant enough to create the post of Minister for Sport.

It is not too well known that to build a new canal costs less per mile than it does to build a motorway (and certainly does less to destroy the environment). Also, that to close a canal is even more costly than to build one and the lack of maintenance situation that BWB has been forced into will, ultimately and inevitably, lead to this state in some instances.

M. D. Lusby.
12, North Hill, Fareham, Hants.

Staffing at No. 10

From Mr. A. Unsworth

Sir,—I was interested to read of a reduction of civil servants of 8,200 during 1977. Between 1974 and 1977 there was an increase of 7.5 per cent. The Prime Minister's staff had only increased by 4.04 per cent. during the same period. In a written reply in the House of Commons, the Prime Minister stated that the salary bill for his staff was £234,000 in 1974 and £435,000 in 1977. There were now 71 full-time employees compared with 68 three years ago.

The average salary of the Prime Ministers' staff in 1974 was £3,441 whereas in 1977 this was £6,126—an increase of 78 per cent. or 31 per cent. p.a. over that period, during much of this time there was a curb on salary increases.

It would be interesting to know what were the comparative increases in the whole civil service and industry for the same period.

A. K. Unsworth.
1, Court Downs Road, Beckenham, Kent.

To-day's Events

GENERAL

U.K. balance of payments (fourth quarter).

TUC Economic Committee meets.

Dr. David Owen, Foreign Secretary, goes to Washington for talks on Rhodesia with Mr. Cyrus Vance, U.S. Secretary of State.

Agricultural safety and health report published.

PARLIAMENTARY BUSINESS

House of Commons: Wales Bill, committee.

House of Lords: Debates on parental choice in education; crime prevention; and Cyprus.

Select Committee: Expenditure (Trade and Industry sub-committee). Subject: Public Expenditure White Paper 1978: support for industry. Witnesses: Department of Industry and Treasury officials (10.15 a.m., Room 16).

Nationalised Industries (sub-committee B). Subject: National Coal Board report and accounts. Witnesses: NCB (10.45 a.m., Room 8). Nationalised Industries (sub-committee C). Subject: Independent Broadcasting Authority. Witnesses: IBA (4 p.m., Room 8).

Expenditure (Social Services and Employment sub-committee). Subject: Employment and Training Services. Witnesses: CBI and TUC (4.30 p.m., Room 15).

OFFICIAL STATISTICS

Construction output (fourth quarter).

COMPANY RESULTS

BTR (full year). Steetley (full year). F. W. Woolworth (full year).

COMPANY MEETINGS

Bakers Household Stores, Leeds, 12. Blundell Permoglaze, Connaught Rooms, W.C., 12. Homfray, Halifax, 12. Lookers, Manchester, 12. Marley, Sevenoaks, Kent, 12. U.S. and General Trust, Bucklersbury House, E.C., 2.30.

COMPANY NEWS + COMMENT

Blagden & Noakes 15% ahead at £4.36m.

TURNOVER for the year to January 1, 1978, of Blagden and Noakes (Holdings) came to £43.84m., against £37.27m. for the previous 53 weeks and pre-tax profits advanced by 15 per cent. from £3.78m. to £4.36m. after £2.14m. (£1.69m.) for the first half.

The acquisition of W. W. Ball and Sons, was effective from November 18 and results include profit attributable to that company for the last part of the year. At the pre-tax level the net effect is £88,000 being profit of £104,500 less interest on money borrowed for the acquisition of £16,500.

Most of the group's activities showed significant advances over the previous year say the directors and only in the chemical division were the results disappointing. While chemical trading produced satisfactory results, chemical manufacturing activities suffered severely from the general downturn in demand.

The directors are very pleased with the initial results from W. W. Ball and opportunities for co-operating to mutual advantage are greater than had been originally envisaged.

In line with the forecast in the offer document for W. W. Ball and with Treasury approval a second interim dividend of 9.175p per 25p share net (3.498p) will be paid making a total 12p (6.028p). Earnings are shown at 29.4p (27.-p) per share.

	52 weeks 1977-78 £000	53 weeks 1976-77 £000
Turnover	43,835	37,272
Trading profit	4,283	3,617
Interest paid	18	170
From associates	94	94
Profit before tax	4,359	3,781
Tax	2,191	1,989
Net profit	2,167	1,792
To minorities	421	378
Attributable	1,748	1,414
Dividends	815	266

† Received.

An analysis of turnover and trading profit (shows £000s omitted): manufactured and reconditioned drums and casks £27,710 (£23,194) and £3,336 (£2,733); plastic engineering mouldings (including W. W. Ball and Sons) £2,540 (£1,317) and £341 (£82); chemicals £11,364 (10,784) and £221 (£486); industrial protective equipment and electrical equipment £2,321 (£1,997) and £309 (£348). Holding company expenses absorbed £13 (£22).

● **comment**

With a forecast of £4.2m. profit already on the table the actual figures from Blagden and Noakes, taking in a small contribution from the Ball acquisition, are much in line with market expectations. The only area to disappoint, in an otherwise reasonable all-round performance, has been chemicals where manufacturing has faced a setback. This year Blagden is looking for some recovery from its chemicals division though at best it is unlikely to show much improvement on the 1976-77 profit of £488,000. Meanwhile Ball could make £1m. profit, or £800,000 after financing costs, and one of the Ball subsidiaries, Toolchrome, a plating company, is thought to have a potential unrealised at the time of the acquisition. Blagden is spending £200,000 on that subsidiary alone this yeara out of a total spending plan of £2½m. Meantime the steel drum business remains the back-bone of the company. Demand for reconditioned drums is still good but given the state of the chemical industry growth this year looks limited. Still group profits could be around £5½m. pre-tax. Meantime a p/e of 7 and yield of 8.9 per cent. looks fair value at 214p.

HIGHLIGHTS

Lex looks at the results of Unilever, where pre-tax profits, down by 10 per cent. to £551m., are very much in line with market expectations which had discounted a flat performance in Europe. Lex also assesses the BSR results in the light of the weak demand trends in Europe and the currency movements which adversely affected the U.S. business in 1977. Comet has come back again for H. Wigfall with a revised offer and the implication of the latest banking figures are also discussed along with the likely outcome from next week's February money supply figures. Elsewhere Provident Financial's pre-tax profits have shown a sharp improvement in the second half, to take the full-year results up by a third.

Record Ridgway sees £2m.

Speaking at yesterday's AGM of Record Ridgway, Mr. A. B. Hampton, the chairman, told shareholders that the directors are worried that sterling is being allowed to continue to appreciate against the major trading currencies with the consequent continuing erosion of the group's competitiveness in key export markets and the decline in the value of the dollar has made matters worse.

Mr. Hampton said that some 20 per cent. of the group's export trade is now invoiced in dollars and that on these sales the group is suffering a reduction in margins due to sterling appreciation and will continue to do so until selling prices can be adjusted. More seriously, he said, "in all other markets where we still invoice in sterling, the changing currency relationships have an immediate impact on the final price our customers have to pay."

For the current year, Mr. Hampton said that the U.K. economy remains depressed, there has been a significant reduction in the level of export orders, and the directors expect historic profits to be around the £2m. mark.

Mr. Mark Alexander, the chief executive, also announced that there is to be a major sales drive both in the U.K. and overseas.

Advance by Staffs Potteries

TURNOVER for the half year to end 1977 of Staffordshire Potteries (Holdings) expanded from £4.41m. to £5.08m. and pre-tax profits rose from £317,000 to £376,000.

The directors say the slackening in demand in the U.K. due to the general recession at retail level has been mitigated to some extent by a healthy overseas order book. Export sales for the first half were up by 33 per cent. to £1.82m. Although they anticipated a satisfactory full year's result the current rates of exchange for sterling may lead to some pressure on profit margins.

The capital investment programme, the major part of which is now complete, has greatly improved manufacturing efficiency and will enhance the company's ability to remain competitive in principal overseas markets. The full benefit of increased sales from the expanded dinnerware production should be obtained in the autumn.

First half earnings are shown to be up from 6.07p to 7.35p basic, and from 5.9p to 7.77p diluted. The interim dividend is raised from 1.15p to 1.265p net. Last year's total was 3.527p and pre-tax profits came to a record £1.06m.

	Six months 1977 £000	1976 £000
Group turnover	5,080	4,414
Trading profit	408	363
Interest	37	49
Profit before tax	376	317
Tax	34	32
Net profit	342	285
Minority loss	6	†1
Attributable	348	284
Interim dividend	56	50
To reserves	292	214

† Profit.

The figures for minority interests reflect the acquisition on July 1, 1976, of 6,858 shares and on July 1, 1977, of 762 shares in Staffordshire Potteries (Canada) thus increasing participation in that company to 91.04 per cent.

Holders of £42,710 of Loan Stock converted into 93,192 Ordinary shares in December 1977 leaving £25,764 stock still outstanding. The issued capital is now 4,443,602 Ordinary shares.

£9.54m. by Provident Financial

WITH TURNOVER rising from £152.24m. to £174.8m., pre-tax profits of Provident Financial Group advanced from £7.3m. to £9.54m. for 1977 after £3.09m., against £2.81m., for the first half.

Full year earnings are shown to be up from 8.56p to 11.1p per 25p share and the dividend total is raised from 4.408p to 4.8733p net with a second interim of 3.2608p. A further dividend will be paid if the standard rate of income tax is reduced, say the directors.

	1977 £000	1976 £000
Turnover	174,504	152,235
Interest	8,354	7,126
Pre-tax profit	9,540	7,295
Tax	5,114	3,895
Extraordinary debits	—	983
Preference dividend	34	37
Ordinary dividends	1,897	1,711
Pref cap redemption	74	63
Retained	2,397	680

● **comment**

After a desultory first half, Provident Financial's pre-tax profits grew sharply in the second six months and for the full year profits are nearly a third better. Although average short-term money rates fell by nearly a third in 1977, Provident's interest charge dropped by only a tenth and the bulk of the improvement in profits has come from better collections and a 15 per cent. increase in new credit extended. For the first time since 1973 the amounts due from customers have increased but at £135m. the figure in real terms is still a far cry from its peak of 181m However, the group is pursuing a much more conservative course than it did in the heady days of the early 1970's and its business is much more soundly based. This year new credit extended is likely to rise in line with retail sales and pre-tax profits could touch £11m. At 89p the shares yield 8.3 per cent. and the group is capitalised at £34.5m.

Peter Black long term loan

Peter Black Holdings has converted £2.25m. of existing secured short term borrowings into a secured ten-year loan from County Bank, repayable in eight equal instalments starting in 1981 with interest linked to interbank rates.

A further initial £3.75m. is being made available by way of secured facilities; £1m. from N. M. Rothschild and Sons by way of acceptance credit facility for three years, with the balance from National Westminster Bank on overdraft.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Ayer Hitam	¶150	April 17	208.33	—	416.66
J. Bibby	4.04	May 23	3.85	6.54	5.91
Blagden & Noakes 2nd int.	9.18	April 3	3.5	12	6.03
BSR	3.51	April 28	3.45	4.77	4.97
H. Goldman	0.37	—	nil	0.5	nil
Greenfield Millets	†1.18	April 14	0.74	†1.75	1.1
Inveresk	3.42	April 21	3.11	4.97	4.36
Malayan Tin Dredging	¶0.45	April 14	nil	—	1.30
Provident Fincl. ...2nd int	3.26	April 21	2.92	4.87	4.41
R.K.T. Textiles	3.11	April 28	2.69	4.69	4.27
Robert Kitchen Taylor	1	April 28	nil	1	nil
Rosedimond Inv. 2nd int.	2.18	April 29	1.9	4.18	3.8
Sandhurst Mktg. ...int.	0.38	April 25	0.29	—	0.85
Staffs Potteries ...int.	1.27	April 14	1.15	—	3.54
Tronoh Mines ...2nd int.	¶38	April 17	nil	88	25
Unilever	‡7.84	May 30	7.01	12.5	11.3
Unilever N.V.	§5.16	May 30	5.18	8.56	8.36

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Actual declaration 12.19p (11.89p) making 19.83p (19.35p). Balance of final dividend which, together with deferred balance of prior dividends amounts to 25.12p, to be paid when circumstances permit. § Guilders. ¶ Malaysian cents throughout. Subject to 40 per cent. tax.

Bibby tops forecast with £2m. rise

ON SALES of £168.2m. compared with £146.6m., J. Bibby and Sons lifted 1977 pre-tax profits from £4.18m. to £6.17m. At midway when profits stood at £2.79m. against £1.58m., the directors forecast a full time result of about £5.5m.

Earnings for the year are shown to be ahead from 47.08p to 51.65p per £1 share. Comparatives have been restated in accordance with SSAP6 and ED19.

The final dividend is 4.0373p net for a total of 6.5373p (5.9123p including special interim 0.0593p on change of ACT).

The proposed dividend is the maximum permitted but the Board will reconsider its recommendations should there be any change in the situation which would permit the payment of a higher dividend.

	52 wks. 1977 £000	53 wks. *1976 £000
Sales	168,209	146,600
Trading profit	6,068	4,944
Share of associates	98	137
Profit before tax†	6,176	4,181
Tax	1,858	236
Net profit	4,318	3,945
Extra-ord. credits	270	564
Attributable	4,588	4,509
Dividends	829	567
Retained	3,898	3,968

* Restated. † After depreciation £1.93m. (£1.7m.).

The feeds and seeds division again performed well, exceeding volume and profit objectives in spite of reduction in market size and hardening competition. The farm products division profits were comfortably in excess of the record figures of 1975.

The edible oils division showed a substantial increase in trading surplus, with a better performance in the refinery section. The paper and converted products also improved its profit, despite a loss by Henry Cooke Converters.

The figures include ten months' results of Norfolk Newlay Egg Co. and N. Reich, sold on November 4, 1977 for some £2m., including loan repayments. Extraordinary items include £725,000 received from Liquifin AG of Liechtenstein in settlement for its purchase of the former subsidiary, Cip Zoo SpA. These proceeds, together with high trading profits, enabled borrowings to be reduced by £4.8m., leaving substantial unused borrowing facilities. The level of borrowings, together with lower interest rates, enabled total interest costs to be reduced for the fourth successive year.

The Board expects further improvements in profits in 1978 in the farm products, edible oils, and paper and converted products divisions, but feeds and seeds is unlikely to perform as well as in 1977, especially during the first half. The group, however, should show a further increase in profits for the year as a whole, say the directors.

● **comment**

J. B. Bibby pre-tax profits are up almost 48 per cent. and the group reports that all its major divisions enjoyed some growth. The biggest percentage profit improvement was seen in the paper division (around 20 per cent. of trading profits) where demand for sterilised hospital paper products was particularly strong. Edible oils also experienced a sharp improvement, notably on the refining side with higher demand for margarine in the U.K producing more stable prices for edible oils last year. A more modest increase from farm products was largely thanks to a first time contribution from new acquisition Broad Acres (turkeys). However, the animal feed and seeds division (the largest single profit earner) had a generally flat time. After a 93 per cent. profits increase in 1976—when an exceptionally poor harvest resulted in soaring prices for animal feed—the division saw only a small profits increase last year. At 195p (up 4p yesterday) the shares yield 5.2 per cent. while the p/e is 3.7.

Greenfield Milletts finishes £0.2m. ahead

RETAILERS AND wholesalers of leisurewear and camping equipment, Greenfield Milletts reports record pre-tax profits and turnover for the year to October 31, 1977, and has recommended a a final dividend which increases the total payment by 59 per cent.

Profits for the 12 months show a £209,137 advance to £954,860, after a £104,000 rise to £316,000 at midway, when a forecast of a satisfactory increase for the full year was made. The net final dividend is 1.1805p lifting the total payment from 1.09725p to 1.75p, payable on capital increased by the rights issue in May, 1977. Treasury consent has been given for the raised dividend.

Expressing optimism that the current year will again reveal good progress, the directors say that the year under review was an extremely difficult one from the economic point of view but rigid cost control and improved efficiency enabled the company to show notable advancements both in the retail and wholesale divisions. There is "tremendous scope" for further expansion in the company's sector and the directors add that they are making appropriate plans for years to come.

During 1977 nine new stores were opened, bringing the total to 50, compared with 16 when the company became public in 1970. It is planned to open several new branches this year and to increase the size of a number of existing ones. "Own brand" lines, notably tents, are also being developed further and all these factors should provide increasing benefits during the current year.

A shareholders discount scheme is being introduced. This will enable holders, with a minimum of 100 shares, to obtain a 12½ per cent. discount on all goods in the company's shops, with the aid of a membership card.

There was a tax credit of £20,587 this time, compared with a charge of £414,784 for the corresponding period, and this left stated earnings ahead from 3.4p to 9.59p per 10p share.

	1976-77 £	1975-76 £
Turnover	10,326,971	7,716,021
Profit before tax	954,860	745,723
Tax credit	20,587	†414,784
Net profit	975,447	330,939
Extra-ordinary credits	497,545	1,571
Minority profits	2,440	—
Dividends	187,200	102,703
Retained	1,283,452	229,807

† Charge.

● **comment**

Greenfield Milletts pre-tax profits rose 28 per cent. last year after a 49 per cent. increase at the interim stage. The group has been a major beneficiary of the trend in recent years towards self-catering, camping and caravan holidays—as disposable incomes in the U.K. have come under pressure. The wet summer in the U.K. last year may have had some effect on demand in the second half but pre-tax profits still rose almost 30 per cent. over the period. The group also had to bear the brunt of start-up costs in its new stores. Meanwhile first-half profits in the current year are expected to show an increase over the strong trading period of a year ago while the second half (when the bulk of profits are earned) should see the first real benefits coming through from the new store openings last year. The shares at 42p even year. The shares at 42p after the increased dividend yield 6.5 per cent. while the p/e is 4.3.

TELEHIRE GROUP

Telehire Group is proposing the early repayment of the £368,900 7 per cent. Debenture stock 1990-95 at £92 per cent. Telehire is wholly owned subsidiary of Electronic Rentals Group.

ISSUE NEWS AND COMMENT

York Waterworks £0.5m. debenture

York Waterworks Company has arranged an issue of £½m. of 11 per cent. Redeemable Debenture Stock 1986 at a price of £98 per cent.

The arrangements for the placing which took place on Monday were made through stockbrokers Seymour Pierce. The placing price is payable as to £25 per cent. on March 13 with the balance on May 11.

Interest on the stock is payable half-yearly on January 2 and July 1 with the first payment of £1.95 per cent. due next July. The stock is redeemable at par on June 30, 1986.

Proceeds of the issue will be used to redeem £150,000 of 3.15 per cent. Redeemable Preference Stock and to provide funds towards financing capital expenditure.

● **comment**

Priced at £98 per cent. the issue by York Waterworks yields 11.22 per cent. flat and 11.37 per cent. to redemption. The last debenture stock issued by a water company was in June—a £2½m. issued by Newcastle and Gateshead. But as there has not been any dealings in the Newcastle stock since October comparison is perhaps unrealistic. Set against a corporation stock such as Cardiff 11 per cent. Redeemable stock 1986 which yields around 11.2 per cent. flat and 11.3 per cent. to redemption the terms of the York issue look rather tightly set. However it all depends upon the gilt market over the next couple of days. Last night it looked as if the medium to long end of the gilt market might go firmer which would be good news for York.

RIGHTS RESULTS

AGB Research's rights issue has been taken up as to 95.48 per cent. The balance has been sold at a premium of 18.5p above the issue price. The net proceeds will be distributed to entitled shareholders.

Crystalate (Holdings) rights issue has been taken up as to 89.9 per cent. The balance of 420,407 shares has been sold for the benefits of shareholders.

CH Industrials raising £0.4m.

The foreshadowed rights issue by CH Industrials materialised yesterday. Following Monday's extraordinary meeting which passed resolutions to increase authorised capital from £1.12m. to £1.4m. CH announced proposals to raise £410,000 by a rights issue of one new 10p share for every six shares held on February at 25p each. In the market the shares held steady at 31p.

Along with the rights details, the company, which manufactures hoods and trim for automative and consumer durable industries and acquired Beaver Group last year, released a profit forecast.

In the absence of unforeseen circumstances the directors expect profits for the year to March 1978 to amount to £875,000. Last year the group made profits of £623,000. At the half time stage CH made profits of £45... (£226,000) including a contribution from Beaver.

They also reaffirm their intention of paying a final dividend of 1.25p to make a total of 2p per share. The new shares will rank for the final dividend.

The issue is underwritten by Charterhouse Japhet and brokers are McAnally Montgomery.

The company states that it is actively investigating a number of potential acquisitions which would complement its existing businesses and for which the directors consider it desirable to have additional funds available.

Yearlings at 8⅛%

The coupon rate on this week's batch of local authority loans is unchanged at 8⅛ per cent. but the price is down from par to £99 15/16 per cent. The bonds are due on March 14, 1979.

This week's issues are:—City of Leeds (£2m.), Lincolnshire County Council (£1m.), West Norfolk District Council (£½m.), Oldham Metropolitan Borough Council (£1m.), West Derbyshire District Council (£½m.), Worthing Borough Council (£½m.), Kennet District Council (£½m.), Medina Borough Council (£½m.), Barnsley Metropolitan Borough Council (£½m.), Borough of Bournemouth (£½m.), Braintree District Council (£½m.), City of Cardiff (£½m.), Wo... spring District Council (£½...), City of York (£½m.), Hertfordshire County Council (£1...), London Borough of Wandswo... (£½m.).

Two year bonds carrying a coupon of 9½ per cent. due March 5, 1980 at par have been issued by West Lothian District Council (£1m.) and Gillingham Borough Council (£½m.).

Five year variable rate bonds dated March 2, 1983, issued at par, have been issued by Merthyr Tydfil Borough Council (£½m.), Blackburn Borough Council (£½m.), and Borders Regional Council (£½m.).

Target scheme for Second Broadmount

The directors of Second Broadmount Trust, recently under siege from the unit trust managers Chieftain, have now established the ground on which they propose to give battle. In agreeing to the request from shareholders, for an extra-ordinary meeting to consider Chieftain's proposals for unitisation via a liquidation of the company, they have also announced agreement in principle with Target Trust Managers on a scheme of unitisation.

The Second Broadmount Board believes that the Target scheme has advantages over that proposed by Chieftain, and is advising shareholders to proceed with it—though details are not yet available.

Mrs. M. P. Ritchie, a director of Second Broadmount, said yesterday that details of the Target scheme would be sent out to shareholders as soon as possible, and "most certainly" in advance of the extra-ordinary meeting at which the Board will ask shareholders to vote against the Chieftain proposals. The meeting has been called for April 14.

Newbold & Burton

With a bright outlook for forward orders, Mr. V. F. Burton, the chairman of Newbold and Burton Holdings, looks forward to 1978 with the greatest confidence, though he warns members in his annual statement that the improved value of the pound could intensify foreign competition as the year progresses.

Mr. Burton reports that throughout the year, strong order books were maintained by all companies in the group, which manufacture ladies' footwear.

As reported on February 17, pre-tax profits were lifted from £302,953 to a record £468,246 in 1977, on sales of £8.58m., against £6.51m. The dividend total is raised to 2.7951p (2.5025p) net.

At the year end, bank balances and cash in hand had increased from £127,280 to £334,236, compared with an £8,000 advance to £207,0... for 1976.

Unilever finishes 1977 down 10% to £550m.

URTH QUARTER profits down 6 per cent from £133.9m. to 5.4m. left the Unilever concern h £295.3m. and at the nine er at £550.6m. for 1977 against 0.8m. for 1976. At midway, fits stood at £302m. compared h £295.3m. an dat the nine nths stage at £455.1m. com- ed with £476.9m.

ales for the last quarter rose 3 per cent. to £2.46bn. for a al 5 per cent. higher at £9.15bn. .73bn.), split as to Limited 96bn. (£3.77bn.) and NV 9bn. (£4.96bn.).

ttributable profits for the final rter fell by 12 per cent. to 3m. The full year result, 10 cent. lower at £257.4m. 86.7m.), was split as to Limited 9.8m. (£143m.) and NV £106.6m. 43.7m.).

ull year earnings are shown 39.29p (77.2p) per 25p of capital. Results for 1977 have been culated at closing exchange es for 1977 and 1976 figures based on closing rates for 6. On a comparable basis sales uld have been up by 11 per it., on the year pre-tax profits wn by 5 per cent., and attri- table profits down by 5 per it.

Total results were influenced oughout the year by the effect the change in the shareholding UAC of Nigeria. Based on a nparison with 1976 figures justed to show the effect of change and at comparable change rates, sales for the year uld have risen in value by per cent., while operating fits for the year would have en by 6 per cent.

A final dividend of 12.13p is posed on the 25p Limited ares for a declared total of 83p (19.35p).

The first instalment of the final idend amounting to 7.84p will paid on May 30 and the nainder, which together with deferred balance of earlier idends will total 35.12p, is to paid when circumstances rmit.

NV's final dividend is Fl.5.16 Fl.20 of Ordinary capital for Fl.8.56 (8.36) total.

The directors say that fourth arter sales were higher but the rease in volume was negligible. Operating profits were above se of the corresponding 1976 arter but non-recurring items were substantial. They included provisions for the costs of re-organisation in some companies, including the meat business in the Netherlands.

	1977 £m.	1976 £m.
External Sales	9,147	8,731
Limited	3,988	3,772
NV	5,159	4,959
Operating profit	561.0	632.4
Non-recurring debits	3.2	9.9
Share of associates	58.8	12.7
Trade investments income	0.9	2.2
Loan interest paid	48.8	41.1
Other interest received	2.9	13.3
Profit before tax	550.6	608.8
Tax	244.3	282.9
Associates' tax	27.2	4.7
Prior years' tax	0.3	†6.2
Prior associates' tax	0.6	0.4
Outside interests	18.8	23.2
Preference dividends	3.7	3.8
Attributable	257.4	286.7
Limited	150.8	143.0
NV	106.6	143.7
Ordinary dividends	94.7	94.4
Limited	31.9	30.4
NV	62.8	64.0
Retained	162.7	192.3

† Credit.

In the depressed European markets there was a small fall in volume. In the quarter the results in Europe of most of the consumer goods operations, edible fats and dairy, frozen products, detergents and toilet preparations were better than in 1976, but other groups fell short.

In North America profits were at about the same level as in the same quarter of 1976; those in other countries outside Europe showed a good improvement.

The first half year showed a satisfactory growth but economic conditions worsened in the second half, particularly in Europe. The cold and wet summer also affected some businesses unfavourably. As a result, profits in Europe for nearly all product groups were below those of 1976 and margins remained unsatisfactory.

In the U.S. Lipton achieved good results but Lever Brothers had a difficult year.

UAC International continued to do well and total results of other overseas countries showed an improvement.

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See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's time-table.

TO-DAY

Interims — Barratt Developments, Matthew Clark, G. B. Downing, Hampson Industries, London and Strathclyde Trust, Scottish Cities Investment Trust, Strong and Fisher.

Finals—BTR, Barrow Hepburn, City and Commercial Investment Trust, Martin Ford, W. L. Pawson, Rentokil, Stentley, Tiger Oats and National Milling, Unilever Corporation, F. W. Woolworth.

FUTURE DATES

Interims—	
Cooper (Frederick)	Mar. 9
Milu Marsters	Mar. 15
Finals—	
Ault and Wiborg	Mar. 16
Davies and Metcalfe	Mar. 9
General Mining and Finance	Mar. 14
Hepworth Ceramic	Mar. 29
Lovell (G. F.)	Mar. 15
Molins	Mar. 22
Morrison (Wm.) Supermarkets	Mar. 21
Noble and Lund	Mar. 17
Rolls-Royce Motors	Mar. 13
Rugby Portland Cement	Apr. 14
Sale Tilney	Mar. 20
Small (John C.) and Tidmas	Mar. 16

Kitchen Taylor recovery

INCLUDING a £116,751 release from the £800,000 provision against property stock made last year, Robert Kitchen Taylor and Co. reports a turnround from a loss of £533,911 to pre-tax profit of £800,050 for the year to September 30, 1977. The company has now recovered to within £116,000 of the record profits of 1972/73.

At midway the recovery was from a deficit of £330,571 to a surplus of £116,846, and the directors said that further progress was expected. They now report that this progress has continued in the current year. The liquidity position has been "substantially" improved, and funds have been channelled to those companies trading well.

Turnover for the 12 months finished £3.83m. ahead at £14.33m. Tax took £227,973 (£171,002), for stated earnings per 10p share of 10.94p (loss 24.51p), and the company is returning to the dividend list for the first time since 1974 with a payment of 1p net.

Minority interests amounted to £142,852 (£145,846) and there were extraordinary credits this time of £102,845, compared with debits of £248,378 a year ago.

For the year, the company's subsidiary R.K.T. Textiles achieved a profit increase from £852,699 to £960,485 on turnover up from £10.18m. to £12.87m.

After higher tax of £408,822, against £166,360, earnings per 10p share are shown to have risen from 14.68p to 16.59p. The net final dividend is 3.11p, lifting the total payment from 4.27p to 4.69p.

All operating sectors turned in increased profits, state the directors, and they report that a satisfactory start has been made to the current year.

A new company in the U.S. has made a good start, they add.

Improvement continues at H. Goldman

Wholesalers of hardware, clocks and watches, foods, and allied goods, H. Goldman Group achieved a pre-tax profit of £43,535 in the year to October 31, 1977 compared with a loss of £176,740, on sales of £14.35m. against £13.18m. First half profits were £921 compared with a loss of £122,357.

Full year earnings are shown at 0.419p (loss 4.795p) per 10p share and the final dividend is 0.368p net for a 0.5p (nil) total.

The directors say the year's profit is attributable to reorganisation. This process is continuing and a further improvement is predicted for the current year.

A scrip issue from reserves is indicated for the near future. The financial year will in future end on March 31 for trading reasons.

	1976-77 £	1975-76 £
Sales	14,357,455	13,175,141
Pre-tax profit	43,535	*176,740
Tax	10,900	106,440
Loss‡	23,000	—
Extraordinary credit	—	72,750

* Loss. † Credit. ‡ From discontinued operations.

Rosedimond unchanged

Revenue for the year to January 31, 1978 of Rosedimond Investment Trust was virtually unchanged at £410,752, a rise of only £570, subject to tax of £161,735, against £183,498.

Earnings per 25p share are given as 4.18p (3.79p) and a second interim dividend of 2.18p per Income share makes the total 4.18p (3.8p) net.

Net asset value at year end was 111.5p (84.4p) per 25p Capital share.

BSR second half setback

TER SHOWING a midway fall m £13.06m. to £12.2m., pre-tax fits of BSR declined further the second half to finish the ar to January 7, 1978, down m £28.65m. to £20.34m., on her external sales of £141.67m. ainst £137.26m.

Results were affected by a more less stagnant unit volume, increased costs which could not be covered in higher prices because the seasonal nature of the oup's business and the apprecia- n of sterling, particularly ainst the U.S. and Canadian llars.

Stated earnings per 10p share, fore extraordinary items, fell m 20.71p to 15.46p. The divi- nd total is raised to 4.7723p 06859p) net, with a 3.507p final.

Mr. J. N. Ferguson, chairman, tes that unit sales for the und reproduction division for first two months of the cur- it year are running slightly hind those for the comparable riod in 1977 but the order book such that this shortfall should more than recovered within next two or three weeks. ereas North and South erica are on par with last year shortfall is in the same market as 1977—namely U.K., rope and Australia. However, ces were increased in all mar- ts at the beginning of the year a further review will take ce before the middle of 1978. n the consumer products divi- n, the current level of sales is re or less the same as in 1977 there are encouraging signs new orders from export mar- s for electrical products as well holloware.

A breakdown of divisional turnover and trading profit shows £101m. (£105.62m.) and £19.18m. (£26.21m.) from sound reproduction, with £40.67m. (£31.64m.) and £1.35m. (£3.06m.) respectively from consumer products.

In the sound reproduction division, though sales in unit volume for North America were over 10 per cent. ahead of 1976, this increase was more or less eliminated by the shortfall in all other areas. Despite volume being the same for the two years, there was a reduction in sales of some £4.6m. and the effect of the appreciation in sterling against other major currencies during 1977 decreased sales in sterling terms by £9.6m.

The increase in sales of some £9m. in the consumer products division was largely due to the acquisition of Judge International and E.P.S. Moulders in April 1977. The sales of Bulpitts (Swan Brand) and Goblin (B.V.C.) improved by £2m. but there was a reduction in unit volume due to the lack of growth in consumer demand in the U.K.

	1977-78 £	1976-77 £
External sales	141,670,078	137,264,920
Trading profit	20,537,079	29,276,429
Interest paid	111,039	917,830
Loan interest	84,886	107,601
Profit before tax	20,340,754	28,651,198
U.K. tax	3,967,836	7,750,835
Overseas tax	2,953,350	4,071,675
Net profit	13,419,378	16,819,687
Extraordinary debit	3,638,025	†1,433,445
Interim dividend	1,127,521	461,784
Proposed final	3,125,175	3,071,457
Leaving	5,528,957	14,719,861
From reserves	31,742,372	37,023,011
Retained	37,271,329	31,742,872

† Credit.

In 1976, sound reproduction benefited to the extent of £7.78m. from the depreciation of sterling.

However, in 1977 gains on exchange for the first six months, particularly from the forward sales of dollars, totalled £2.47m. while, in the second half, there was a loss of £1.85m. as the pound appreciated against other currencies, particularly the U.S. and Canadian dollars.

Despite the action taken to reduce costs in Judge International, lack of demand resulted in the consumer products division having to absorb a loss of just over £450,000 for the period from April 15, 1977, to the year end. In addition, because of market conditions, the other companies in this division had to incur much higher promotional costs as well as offer more competitive prices to maintain their market share with the result that profit margins were much reduced.

There was a charge to profits for extraordinary items of £3,638,025 for the year, of which £2,555,961 represented a reduction in the sterling value of assets and retained earnings held overseas due to the appreciation of the pound, transfers from capital reserve principally for capital grants relating to acquisitions of £351,923 and the balance of £730,141 being goodwill written off.

In 1976 there was an addition to profits of £1,433,445, which was made up of £1,690,674 being an increase in the sterling value of overseas assets and retained earnings arising from the depreciation of sterling less goodwill written off by the amount of £257,229.

See Lex

Unilever in 1977

The Directors of Unilever announce the Companies' provisional results for the fourth quarter and for the year 1977, and their ordinary dividend proposals. The results are subject to completion of the consolidated accounts and audit.

Exchange Rates
As has been our practice throughout the year the results for the fourth quarter and the comparative figures for 1976 have been calculated at comparable rates of exchange being based on £1=Fl. 4.18=US$ 1.70, which were the closing rates for 1976. Profit attributable to ordinary capital for the fourth quarter 1977 has also been recalculated at the closing rates for 1977 being based on £1=Fl. 4.36=US$ 1.91 which will be used for the Annual Accounts 1977.

The results and earnings per share for the full year 1977 have been calculated at the closing rates for 1977. The 1976 figures for the full year are based on the closing rates for 1976. The trends are therefore influenced by the changes in exchange rates during the year. For comparison purposes the trends have also been shown based on comparable rates of exchange.

Accounting Policies
As we explained in our previous 1977 quarterly announcements we have, in our reporting prior to 1977, made no distinction between associated companies, which are those in which Unilever has significant shareholdings and participates in commercial and financial policy decisions, and trade investments where it does not. The results of associated companies have in total been immaterial and, therefore, such companies have been treated as trade investments with only income received taken up in the consolidated Profit and Loss Account. The sales and operating profits of associated companies and trade investments are not included in the Concern figures.

With effect in the consolidated accounts from 1st January, 1977 our shareholding in UAC of Nigeria was reduced from 60 per cent to 40 per cent and that company therefore ceased to be a subsidiary and became an associated company. Consequently, UAC of Nigeria sales and operating profit are no longer in the consolidated figures. After UAC of Nigeria became an associated company total results of associated companies became material and a change in accounting policy was required. As from 1st January, 1977, therefore, whilst the sales of associated companies continue to be excluded our share in their results is shown separately after operating profit.

The 1976 results are restated on the new accounting basis; sales and operating profit for that year are unaffected but profit before taxation and profit attributable are increased by some 1 per cent over the originally published figures, due to the inclusion of our share of results from associated companies which were previously treated as trade investments.

Combined Results (£ millions)

Fourth Quarter 1977	Fourth Quarter 1976	Increase/(Decrease)		Full Year 1977	Full Year 1976	Increase/(Decrease) Closing Rates	Increase/(Decrease) Comparable Rates
2,460	2,286	+8%	SALES TO THIRD PARTIES—Combined	9,147	8,731	+5%	+11%
1,076	1,036		—Limited	3,958	3,772		
1,384	1,250		—N.V.	5,189	4,959		
136.5	134.1	+2%	OPERATING PROFIT	541.0	632.4	—(14%)	—(9%)
(13.5)	0.8		Non-recurring items	(9.2)	(9.9)		
			Concern share of associated companies'				
16.1	3.9		profit before taxation	58.9	13.7		
(0.1)	0.8		Income from trade investments	0.9	2.2		
(13.6)	(5.7)		Interest	(41.0)	(27.6)		
(10.1)	(10.7)		Interest on loan capital	(43.0)	(41.1)		
(3.5)	5.0		Other interest	2.0	13.5		
125.4	133.9	—(6%)	TOTAL CONCERN PROFIT BEFORE TAXATION	550.6	610.8	—(10%)	—(5%)
			Taxation on profit of the year:				
(46.5)	(66.9)		Parent companies and their subsidiaries	(244.3)	(288.9)		
(7.9)	(0.3)		Associated companies	(27.8)	(4.7)		
			Taxation adjustments previous years:				
0.6	9.9		Parent companies and their subsidiaries	(0.2)	6.9		
(0.6)	(0.4)		Associated companies	(0.6)	(0.4)		
(4.4)	(5.8)		Outside interests and preference dividends	(20.3)	(37.0)		
(3.4)	(4.8)		Outside interests	(16.6)	(33.2)		
(1.0)	(1.0)		Preference dividends	(3.7)	(3.8)		
			Total concern profit attributable to ordinary capital				
66.6	70.4	—(5%)	—Fourth Quarter at comparable rates				
			—Year at closing rates	257.4	286.7	—(10%)	—(5%)
(4.3)			Difference on recalculation of Fourth Quarter 1977 results at 1977 closing rates				
		—(12%)	TOTAL CONCERN PROFIT ATTRIBUTABLE TO ORDINARY CAPITAL			—(10%)	—(5%)
62.3	70.4			257.4	286.7		
40.9	47.9		—Limited	150.8	143.0		
21.4	22.5		—N.V.	106.6	143.7		
			Dividends on ordinary and deferred capital	(94.7)	(94.4)		
			—Limited	(31.9)	(30.4)		
			—N.V.	(62.8)	(64.0)		
			Profit of the year retained	162.7	192.3		
16.77p	18.97p	—(12%)	Earnings per 25p of capital	69.29p	77.20p	—(10%)	—(5%)

Results—Fourth Quarter
In the fourth quarter sales were 8 per cent higher than in the previous year but increase in volume was negligible.

Operating profits were 2 per cent above those of the corresponding quarter of 1976 but non-recurring items included in this quarter were substantial and caused profit before taxation to be 6 per cent down. Amongst these non-recurring items are provisions for costs of re-organisation in some of our companies, including our meat business in the Netherlands.

In the depressed European markets there was a small fall in volume. In the quarter the results in Europe of most of the consumer goods operations, edible fats and dairy, frozen products, detergents and toilet preparations were better than in 1976, but other groups fell short.

In North America profits were at about the same level as in the same quarter of 1976; those in other countries outside Europe showed a good improvement.

The Year
For the year as a whole sales rose by 11 per cent at comparable rates entirely due to higher selling prices. The first half-year showed a satisfactory growth but economic conditions worsened in the second half-year, particularly in Europe. The cold and wet summer also affected some of our businesses unfavourably. As a result, profits in Europe for nearly all product groups were below those of 1976 and margins remained unsatisfactory.

In the United States, Lipton Inc. achieved good results but Lever Brothers had a difficult year.

UAC International continued to do well and total results of other overseas countries showed an improvement over last year.

Interest earnings were down—mainly because of lower interest rates.

Total results were influenced throughout the year by the effect of the change in the shareholding of UAC of Nigeria. Based on a comparison with 1976 figures adjusted to show the effect of this change and at comparable exchange rates, sales for the year would have risen in value by 16 per cent, while operating profits for the year would have risen by 6 per cent.

Dividends
The Boards today resolved to recommend to the Annual General Meetings to be held on 17th May, 1978 the declaration of final dividends in respect of 1977 on the Ordinary capitals at the following rates, which are equivalent in value at today's rate of exchange in terms of the Equalisation Agreement between the two companies:

LIMITED 12.19p per original 25p Ordinary share (1976: 11.89p), bringing the total of LIMITED's dividend declarations for 1977 to 19.83p per share (1976: 19.35p).

N.V. Fl. 5.16 per Fl. 20 Ordinary capital (1976: Fl. 5.16), bringing the total of N.V.'s dividend for 1977 to Fl. 8.56 per Fl. 20 Ordinary capital (1976: Fl. 8.36).

The N.V. final dividend will be paid on 30th May, 1978.

N.V.'s final dividend is equal to N.V.'s final dividend for 1976. It is the provisions of the Equalisation Agreement which require the small increase in LIMITED's final dividend shown above. LIMITED's total dividend declarations for 1977 (19.83p per share) if paid in full would consequently exceed the dividend payments for 1976 (which totalled 11.30p) by more than the statutory limit of 10 per cent currently in force for United Kingdom companies. As before the Treasury have agreed to such declarations by LIMITED, subject to the condition that the total amount paid to shareholders by way of dividends for 1977 is kept within the statutory limit and payment of the balance of 1977 dividends is postponed.

It is therefore again proposed to make the final dividend of LIMITED payable by instalments. The first instalment of 7.84p per share will be paid on 30th May, 1978 to shareholders registered on 5th May, 1978. This payment will bring LIMITED's dividend payments for 1977 up to 12.50p per share which after making the necessary adjustments for the change in the rate of Advance Corporation Tax in 1977, is within the statutory limit. The balance of LIMITED's 1977 final dividend which together with the deferred balance of earlier dividends will amount in total to 25.12p per share, will be paid when circumstances permit to holders of Ordinary capital now in issue registered at the time of payment.

The dividend declarations of LIMITED for 1976 shown above include the further payment of 0.11p per share in respect of the final dividend for 1976 made on 23rd December, 1977 as a consequence of the rate of United Kingdom Advance Corporation Tax having been changed from 35/65ths to 34/66ths subsequent to the Annual General Meeting on 11th May, 1977.

Shareholders are reminded that for the purpose of equalising dividends under the Equalisation Agreement the United Kingdom Advance Corporation Tax in respect of any dividend paid by LIMITED has to be treated as part of the dividend. If the rate of United Kingdom Advance Corporation Tax is changed from the current rate of 34/66ths before payment of the dividend now recommended has been completed, the figures now announced will be adjusted accordingly and a further announcement made.

The Report and Accounts for 1977 will be published on 26th April, 1978.

7th March, 1978

BIDS AND DEALS

FT now taking over Investors Chronicle

BY ADRIENNE GLEESON

Prolonged negotiations over the sale to Morgan-Grampian of Throgmorton Publications, publishers of the weekly magazine Investors Chronicle, have broken down.

The joint owners of Throgmorton Publications, The Financial Times and IPC Business Press, had planned to sell the company to Morgan-Grampian for £1.25m. Now that the deal has fallen through, the Financial Times is to buy out IPC's 50 per cent. stake in the company for £625,000.

Mr. Alan Hare, chief executive and managing director of the Financial Times, said yesterday that there had been four or five points at issue between the parties to the proposed deal, but that the breaking point had come over Morgan-Grampian's desire for a three-year warranty that the FT would not expand into the field covered by Throgmorton's publications—which, in addition to the Investors Chronicle, include Money Management and the IC Newsletter.

There was a problem, he said, in defining the area covered by these magazines, which could include the whole of the City. While the FT had no specific plan for such expansion, they could not preclude such a development in the future.

Mr. Hare said that the FT had been prepared to pay a fairly heavy price for the IPC share, and that it was now backing Throgmorton Publications "100 per cent. We're going to make a go of it," he said. Throgmorton Publications will become part of the FT's Business Enterprises Division.

Mr. Graham Sherren, chairman and chief executive of Morgan-Grampian, said he was very sorry that the deal had fallen through. It was Morgan-Grampian's policy to run the best magazine in its field, and there was nothing else quite as good as the Investors Chronicle. Morgan-Grampian had, he said, no immediate plans to launch a business magazine of its own.

However, Mr. Victor Matthews, deputy chairman and chief executive of Morgan-Grampian's parent company, Trafalgar House, said that the group probably would launch a new business magazine. Morgan-Grampian, he said, had made the decision to go for the Investors Chronicle, although "as fa ras I was concerned there was a question over whether it was such a good idea in the first place. We'd have had to revamp it . . . though Morgan-Grampian did have ideas on how they wanted to do that." He said that he did not blame the FT for declining to agree to the warranties requested.

The editor of the Investors Chronicle, Mr. Michael Brett, said that he was pleased that the whole thing was settled, and that he thought single ownership would be of great advantage to the company. The Investors Chronicle, which was once almost exclusively aimed at the private investor, has shifted direction recently, and the decline in its circulation has been arrested.

LON. PAVILION BID LAPSES

The attempt by Mr. Victor Sandelson to take-over London Pavilion for £3.50 a share has failed. The offer, announced in January and subsequently rejected by the London Pavilion Board as "totally unacceptable," has been accepted by holders of only 517 shares, representing 0.39 per cent. of the capital, and has been allowed to lapse.

A recent letter from the London Pavilion Board to shareholders said that the bid from Mr. Sandelson "offers to holders nothing which they do not already enjoy."

YOUNG AUSTEN

In the formal offer document regarding the Trafalgar House agreed bid for Young, Austen and Young, the directors of YAY forecast pre-tax profits for the year to April 30, 1978, of about £550,000 compared with £483,000 the previous year.

Mr. A. D. Pinnington, chairman of YAY, comments that the offer is 31 per cent. above the share price prior to the offer "furthermore this is after an increase from 57p to 65p during January, 1978, which was against the general trend of the stock market."

The directors intend to accept in respect of their 5 per cent. shareholding.

Wigfall turns down new Comet terms

Improved terms from Comet Radiovision valuing Henry Wigfall at around £14.2m. were instantly rejected last night by the defending company and its financial advisers. A spokesman for Hill Samuel, while expressing surprise that Comet had bothered to increase the terms at all, said that the holders representing 45 per cent. of the Wigfall equity who rejected the original bid would continue to oppose the new offer. "The latest offer does not alter the picture at all as far as we are concerned," he said.

Wigfall shareholders are now being offered seven Comet shares (valued at 104p each in the market last night), plus £20 in cash, for every ten Wigfall shares held. This places a value on each share of 273p, compared with the Wigfall market price yesterday of 198p and with under 150p prior to the first Comet bid which officially closed yesterday.

The level of acceptances to the first offer is expected to be disclosed to-day. Kleinwort Benson, acting for Comet, said, however, that the response by shareholders had been "enough to encourage us to proceed."

Mr. Michael Hollingbery, chairman of Comet, said that the company was persisting with its offer because it would be "very good for Comet" and because Wigfall shareholders were being offered the highest price for their shares for five years. He also called on the trustees who make up a large part of the 45 per cent. vote in opposition to consider "this very good offer."

The bid, which is not to be referred to the Monopolies Commission, has now been extended until March 22. Comet has said that its offers will not now be further increased.

Hill Samuel issued the usual holding statement last night, advising Wigfall shareholders to take no action with regard to the offer. Shareholders are promised detailed reasons for a rejection of the latest terms.

ANSTON BOARD SAYS ACCEPT

In recommending the cash offer by Clark's Acre (Hassocks) for Anston Holdings, Mr. R. Pascoe, chairman of Anston, says that the Board and its advisers de Zoete and Bevan have had regard to "the special circumstances" of the offer. In particular Mr. Pascoe points to the fact that it is being made by a director (Mr. R. H. Stoner) who has a substantial interest in Anston's capital. And he also comments, "the balance between the large shareholders makes it less likely that an offer can be expected from another source."

The bid of 76p per share compares with net tangible assets of £2.6m. or 81.8p per share. The latter figure incorporates a professional revaluation of properties which produced a surplus of £430,000 but is net of contingent liabilities to development land tax and capital gains tax amounting to £810,000.

Appendix III of the offer document shows that Mr. Stoner bought 18,000 shares in Anston at 76p the day before the offer was announced. This was with the approval of the Takeover Panel and was designed to take the holding of Mr. Stoner's company, Clerk's Acre, to over 25 per cent. A tax advantage would be obtained by going over this level.

Centreway offer raised to 'final' 48p

Centreway Holdings is to make a general offer for Blakey's (Malleable Castings) at a price of 48p a share. The offer, which "will not be further increased by Centreway in any circumstances," follows the purchase of a further 75,000 Blakey's shares at 48p a share through the Stock Market. This brings Centreway's holding to 41.05 per cent.

Centreway made its original offer of 41p a share for the company in January, which was rejected by the Blakey's Board on the grounds that it was "totally inadequate." A document diving detailed reasons for rejection of the earlier offer said that a property revaluation showed net assets per share at 58p.

Mr. Ronald M. Denny and Mr. Graham Binns, both of Rediffusion, join the Board.

THOMAS MARSHALL

Thomas Marshall (Loxley), whose shares were suspended in January following a take-over approach, have issued a statement saying that talks are still in progress "which may, or may not, lead to an offer being made for the capital of the company."

The current market value of Thomas Marshall (Loxley), a manufacturer of fireclay refractories, is around £2m. Unicorn Industries is known to be a major shareholder in the company, with a holding last September of 13.75 per cent. of Marshall equity.

REDIFFUSION

Rediffusion Limited, a subsidiary of BET, has subscribed for 8,000 £1 Ordinary shares (40 per cent.) in Windsor Communications, a private company built up by Mr. David Burns Windsor who retains a 56.25 per cent. of its capital. Windsor specialises in obtaining film and television programmes for use in secondary markets.

Mr. David Burns Windsor remains managing director and

EPICURE/SLEA

The offer of shares of Epicure Holdings to existing shareholders of Epicure and to employees of Slea Holdings and its subsidiaries (now wholly-owned by Epicure) has been taken up as to 94.25 per cent. The balance, 234,906 Ordinary shares, has been sold at a premium of 4.75p per share and net proceeds will be distributed to shareholders entitled thereto.

هكذا من الأصل

Trevor Humphries

Mr. R. W. "Tiny" Rowland (right), managing director and chief executive of Lonrho, with Mr. Edward du Cann, a director (centre), and Dr. Khalil Osman Mahmoud, a former director, who represents the Kuwaiti shareholding, at yesterday's annual meeting in London.

Support for Mr. Rowland

HE DIRECTORS of Lonrho yesterday rallied to support the group's chief executive, Mr. "Tiny" Rowland, over criticism of his personal stake in the Nyaschere copper mine in Rhodesia—in which Lonrho has a 50 per cent. interest.

Mr. Edward du Cann, MP, a director of the multi-national trading group, told shareholders at yesterday's AGM in London that Mr. Rowland had not received a penny from his investment in Nyaschere.

Mr. du Cann said that he had been chairman of a small sub-committee set up by Lonrho to investigate the criticisms of Mr. Rowland and other directors contained in a Department of Trade report, and suggestions of a conflict of interest were illusory rather than real. "In fact," said Mr. du Cann, "that rather understates the issue—it was not real at all."

He claimed that the committee had been satisfied on all points raised by the DoT investigation and had recommended that Lonrho should buy out the other interests in Nyaschere—but the Board had decided not to proceed with this until a more stable political situation had evolved in Rhodesia.

He also referred to the current controversy surrounding the group's purchase of the Dunford and Elliott engineering and steel group. Lonrho has sought legal advice over profit forecasts made by Dunford and supported by that group's financial advisers at the time of the bid. Last year Dunford made profits of £1.7m., compared with a forecast £3m.

Mr. du Cann said it was true the forecast was misleading and that Lonrho had relied on it supported by the merchant bank and the auditors. It was appropriate, therefore, that Lonrho should take advice on this matter.

Mr. du Cann, who fielded most of the questions put by shareholders, said the strategy of combining Lonrho's financial muscle and depth of experience with a company like Dunford was proving most effective, and had been particularly successful in reorganising the steel group so that it was now making profits. In the previous annual accounts Dunford had recorded a £1.6m. loss.

He also referred to the lack of interest sometimes displayed by institutional investors in Lonrho shares. He said: "I don't see why we should always be expected to be defensive about our record—it really is outstanding."

Lord Duncan Sandys, chairman, was reappointed a director of the group, but he said he had informed the Board that it was his intention at a time convenient to the company to make way for a younger man. Earlier, he told the meeting that Lonrho's decision to concentrate its investment in the U.K. had given the group added strength and stability.

A resolution to increase the capital of the company from £50,000 to £62,500, was passed by the shareholders.

Better first quarter for THF

OTEL, catering and leisure group Trust Houses Forte is well on budget in the current year for an advance on the 1976/77 record. Sir Charles Forte, chief executive, said yesterday. First quarter profits were "quite a bit better" than last time, he added.

Sir Charles listed the order of priorities for the group's expansion as first the U.K., followed by the U.S. and then Europe. In the U.K. the Little Chef chain is being expanded and there are plans to increase the Post House chain from 30 to 100 with current plans to develop a site at Haydock Park. In the U.S. the directors intend to expand the Colony Kitchen chain now being acquired.

Allied Breweries still holds a .4 per cent. stake in the company but Sir Charles said there had been no discussions with Allied over the future of its interest.

He pointed out that the shares could be disposed of easily as the market was ready to absorb them, but he would venture no opinion on what Allied's intentions might be, though he doubted that that group would make another assault on THF.

Prospects remain good for the group's international division hotels as the hardening market has assisted the sales force to gain better average room rates while remaining competitive in the world market.

With forecast sales of new contracts running well ahead of this time last year the outlook for catering in the current year is encouraging, the directors say.

A partial property revaluation during the year showed a more than £88m. surplus over book value and Sir Charles made it clear that the whole of the group's properties were very much undervalued.

On average the book value of the company's London hotels was just £11,000 per bedroom and for the provinces between £4,000 and £6,000. At current prices he contended that the London building costs would be at least £30,000 and in the provinces between £15,000 and £20,000.

On trading receipts up 18 per cent. at £531m. for the year to October 31, 1977, taxable profit soared 60 per cent. to £38m.—as reported on February 2. The net dividend is stepped up to 8.2094p (7.35p) per 25p share.

An analysis of trading receipts and trading profit of £54.3m. (£40.6m.), by activity shows, with £m.s omitted: U.K. hotels £153.4 (£95.4) and £31 (£17.9); European hotels £28.8 (£24.4) and £2.9 (£1.8); and U.S. and other hotels £73.4 (£74.4) and £8.8 (£7.3); catering £211.8 (£185.3) and £8.3 (£8.2); leisure £21.8 (£18.8) and £3.1 (£2.5); manufacturing and other activities £41.8 (£52.4) and £3 (£4.5). Central costs absorbed £2.3 (£1.8).

Capital spending commitments at year end totalled £9.1m. (£5.3m.) of which £4.1m. (£1.6m.) was approved but not committed.

The company has not adopted the Accounting Standard Committee's proposals for depreciation of fixed assets, such as buildings, in advance of the suggested date as the group's properties tend always to appreciate, Lord Thorneycroft, the chairman, explains in his annual statement.

The 35 hotels acquired from J. Lyons Group in January last year, and Knott Hotels Corporation (U.S.) acquired in the following March contributed over £7m. to group profit after deducting interest on the purchase. Sales of the company's interest in Joseph Terry and Sons and Thomas Cook Group yielded £21.9m.

Room occupancies were at a record level in all divisions during 1976-77 and the catering business in the hotels also made a satisfactory advance. There was steady growth in results from the U.K. and Ireland division where the domestic market has continued to be strong, particularly in the corporate business sector.

Meeting, Grosvenor House, W., on April 3 at noon.

Upsurge at Sandhurst Marketing

Suppliers of stationery and allied products and manufacturers of chemical products, Sandhurst Marketing reports more than doubled pre-tax profits of £103,000, against £50,000, for the half year to end 1977 on turnover of £1.85m. compared with £1.55m.

After tax of £53,500 (£26,000), earnings are given as 1.99p (0.95p) per 10p share, and the interim dividend is stepped up from 0.2915p to 0.383p net. Last year's total was 0.8538p and pre-tax profits were £113,518 including a surplus of £22,331 on the disposal of a motor vessel.

The directors say they look forward to maintaining and increasing the dividend in the future. The group produced a higher trading profit for the half year than in the whole of the previous year and the directors are confident that results for all 1977-78 will be most encouraging.

Sales are nearly 20 per cent. up on last year; all companies are trading profitably; and they see no reason why the group should not grow from strength to strength.

● comment

Sandhurst at last appears to be on the mend with first half profits more than doubled and the prospects of £¼m. for the full year. Management changes have resulted in a major weeding out operation that has seen a 40 per cent. cut in the sales force and a substantial reduction in the product range. Moreover, a small medium-term loan coupled with tighter credit control has now totally eliminated the bank overdraft (£285,000 in the last accounts) at a time when demand for stationery remains very patchy. The reduction in finance charges should now leave second half profits comfortably ahead of the interim figure which suggests earnings of around 4.8p which would put the shares at 28p on a p/e of 5.7 while the restoration of the dividend to the 1974-75 level would give an attractive yield of 9.4 per cent.

Recovery by London Investment

Announcing a turnround from a loss of £62,712 to a £27,169 net profit for the six months to September 30, 1977, the directors of London Investment Trust say that recovery is proceeding in the second half. For the whole of the previous year, a pre-tax deficit of £197,000 was incurred.

First-half turnover improved from £131,900 to £299,887. After minorities of £3,100 (£17,178) and an extra-ordinary debit last time of £56,925, attributable profit emerged as £19,069 (£102,459 loss).

Earnings per 5p share are given as 0.045p (0.15p loss) and again no interim dividend is to be paid—the last dividend payment was 0.08375p net in respect of 1974-73.

The company changed its name from Catel Trust, on December 28, 1977.

MONEY MARKET

Small assistance

Bank of England Minimum Lending Rate 6½ per cent. (since January 6, 1978)

Day-to-day credit was expected to be in good supply in the London money market yesterday, but conditions moved against the market and the authorities gave a small amount of assistance by buying Treasury bills from the discount houses.

This was probably sufficient to take out the full shortage, but money was fairly difficult to find in late trading. Discount houses paid between 5 per cent. and 6 per cent. for secured call loans, and closing balances were taken in the region of 5¼-5½ per cent.

In the interbank market overnight loans opened at 6-6¼ per cent., and eased to 5¼-5½ per cent., but rose to around 10 per cent. at the close.

Banks brought forward surplus balances from Monday, but on the other hand the market was faced with a fairly large net take-up of Treasury bills to finance, a very slight excess of revenue payments to the Exchequer over Government disbursements, and a modest rise in the note circulation.

Rates in the table below are nominal in some cases.

Mar. 7 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
...night	—	5¼-10	—	—	—	6⅛	5-6	—	—	—
...s notice	—	—	6	—	—	—	—	—	—	—
...s or ...s notice	—	6⅛-6⅜	6⅛-6¼	—	6¼-6½	6½	5⅞-6	—	—	—
...month	6⅜-6¼	6⅜-6½	6½	6¾-6½	6½-6¾	6¾	5⅞-6	5¾-5⅝	6⅛-6	7-7⅛
...months	6⅝-6½	6⅝-6¾	—	6⅝-6½	7	—	6	5⅝-5⅝	6⅛	7-7⅛
...e months	7-6⅞	6⅞-7⅛	6⅞-6⅞	7-6⅞	7⅛-7⅜	7⅛	6¼	6	6⅝-6⅝	7⅛
...months	7¾-7⅝	7⅛-8	7⅛-7⅜	7¼-8⅛	8-8¼	—	—	—	7⅛-7⅜	7¾
...month	8⅛-7⅞	8⅛-8⅜	—	8⅛-7⅞	8¼-8⅛	—	—	—	—	—
...year	8⅛-8	8⅛-8⅛	8⅛-8¼	8¼-8	8⅛-8¾	—	—	—	—	—
...years	—	—	9-9⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rate nominally three years 10-10½ per cent.; four years 10¾-11 per cent.; five years 11-11½ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 6⅛-7 per cent.; four-month trade bills 7½ per cent. Approximate selling rates for one-month Treasury bills 5⅝-5⅞ per cent.; two-month 5¾-5⅞ per cent.; and three-month ... per cent. Approximate selling rate for one-month bank bills 6 per cent.; two-month 6⅛ per cent.; and three-month 6½ per cent. One-month trade bills 6½-7 per cent.; two-month 6½-7 per cent.; and also three-month 7 per cent.

Finance House Base Rates (published by the Finance Houses Association) 7 per cent. from March 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice): 4 per cent. Clearing Bank Rates for lending 6½ per cent. Treasury Bills: Average tender rates of discount 5.9849 per cent.

MINING NEWS

De Beers income climbs to record levels

BY PAUL CHEESERIGHT

BACKED BY record sales of diamonds, De Beers Consolidated Mines yesterday announced unsurpassed annual profits and dividends exceeding most optimistic estimates. As information about the figures leaked out in the U.S. during the late afternoon, the share price advanced quickly.

Net profits for 1977 were R633.48m. (£376.9m.) compared with R337m. in 1976. At the pre-tax level, profits were some R100m. above market expectations at R888.1m. against R519.9m. the year before.

The final dividend is 35 cents (20.8p), making a total for the year of 52.5 cents. This is slightly more than had been expected and compares with payments of 35 cents for 1976.

In advance of the figures De Beers shares remained steady around their overnight level of 311p, but after hours, prompted by strong U.S. buying they moved up to 322p, just 1p underneath their 1977-78 high.

	R000 1977	R000 1976
Diamond account	751,135	451,543
Interest and dividends	160,079	93,634
Other revenue	23,470	13,523
Surplus realisation	67	*2
Making	942,771	558,997
Prospecting and research	25,554	20,392
General charges	18,819	17,310
Interest payable	3,618	4,735
Written off investsǂ	4,313	(2,146)
Profit before tax	888,107	519,916
Taxation and state's share of profits	254,618	192,915
Net profit	633,489	327,001
Minorities	16,174	25,483
Attributable	623,315	300,516

*Deficit. ǂCredit (debit).

The group pointed out, however, that the figures are not strictly comparable with 1976 because 3 per cent. of Diamond Purchasing and Trading has been sold. This means the company is no longer a subsidiary and its results have not been consolidated with those of the group. Only dividends received have been included.

Group revenue has increased in all sectors. The diamond account, reflecting the record sales already announced was nearly R300m. higher than in 1976 at R751.1m. Investment income climbed to R160m. from R93.6m.

Demand remained strong across the whole range of diamonds, showing that the market was able to absorb a price rise of 15 per cent. last March without difficulty. And there is evidence that the latest rise of 17 per cent. in December has also been absorbed from the way that stones have been selling at a premium of up to 30 per cent. over the Central Selling Organisation price.

But diamond sales have been achieved without a marked running down of the cash value of *stones held in stocks, while the* cash balance has increased sharply to R688.1m. from R470.27m. at the end of 1976.

It was the large cash reserves held by De Beers which helped to prompt the re-arrangement in the Anglo American group last year, which ended up with De Beers increasing its stake in Anglo.

Anglo is still in an expansionist phase and the increase in De Beers cash holdings might lead to a further restructuring to make use of these reserves. The balance-sheet shows that De Beers long-term loans at R72.4m. were actually down on the 1976 level of R77.84m.

Profits slide at Ayer Hitam

THE MALAYSIAN tin producer, Ayer Hitam, to-day announces a sharp and predictable reduction in half yearly profits. Net earnings for the six months to December wer *M$2.74m.* (£804,856) against M$12.9m. in the same period of 1976.

Ayer Hitam is declaring a first interim dividend of 90 cents (19.86p) net of Malaysian tax at 40 per cent. In the year to June 1977, two dividends worth 230 cents net were paid.

The downturn in Ayer Hitam's fortunes has been caused by a drop in production, a continuation of a trend which started early last year. This has been offset to some extent by higher prices received. The average net price of concentrate per picul in the half to December at M$890 was M$200 more than in the corresponding period of the previous year.

There are similarities in the picture painted by the figures of *Malayan Tin Dredging*, which are also released to-day. Net profits for the half year to December were M$3.76m. (£879,672) against M$5.6m. in the same period of 1976.

The interim dividend is 27 cents (6.3p) net of Malaysian tax, and follows payments for the last financial year of 17 cents net of U.K. tax and 78 cents net of Malaysian tax.

In the most recent half, Malayan had to spend more on the deviation of the Kinta River, and a larger part of this, compared with the December 1976 half, was not available for tax relief. The company has also had to cope with a higher incidence of Tin Profits Tax without gaining any surplus on buffer stock transactions.

In London yesterday, before the results were known, the shares of both companies traded quietly. Ayer Hitam closed at 280p and Malayan at 285p.

Meanwhile, output of tin concentrates at the Gopeng Consolidated mine in Malaysia last month shows a modest improvement on *the previous month's figure* which was affected by flooding and electric power shortages. However, the five months running total of 694¼ tonnes is still well down on *the same period in the previous* year which came out at 812 tonnes. Gopeng's production and those of the other mines in the group are compared in the accompanying table:

	Feb. tonnes	Jan. tonnes	Dec. tonnes
Gopeng	138	123½	102½
Tanjong	20	11½	18
Idris	14½	20½	25
Pengkalen	35	24	32

Australian uranium shortage

AUSTRALIA is 3,000 tonnes of uranium oxide short of the supplies needed to meet its existing export contracts and more uranium mines will have to be brought into production if the contracts are to be honoured, Mr. Doug Anthony, the Deputy Prime Minister, told Parliament in Canberra yesterday.

He warned that the position could become serious by 1981-82. The contracts involve about 11,700 tonnes of uranium for delivery up to 1986, but the Government's stockpile contains only 2,000 tonnes and reserves at Mary Kathleen Uranium, the only producing mine are only some 6,300 tonnes.

Mr. Anthony recalled that both present and previous Australian Governments had made commitments to honour contracts signed before 1972.

The conclusion he drew from this situation was that the importance of developing the Ranger deposit in the Northern Territory had been heightened. The deposit is owned by Peko-Wallsend, EZ Industries and the Government itself.

It is generally accepted that *Ranger will be the first of the* Northern Territory deposits to be developed, and when it does come on stream its initial production will be 2,000 tonnes a year, rising to 10,000 tonnes.

Development has been held up by agonised debate in Australia about whether uranium should be mined at all. A section of the trade unions movement remains vigorously opposed, but while policy at the Australian Council *of Trade Unions* remains against new developments pending talks on nuclear safeguards and Aboriginal rights, it has agreed that existing contracts should be *honoured*.

By linking the development of Ranger to the problems of meeting the contracts, Mr. Anthony is in effect offering the unions a chance of backing away from a position already made untenable by the divisions within their ranks.

In London yesterday, the market greeted Mr. Anthony's comments quietly. There had been little movement in Sydney prices overnight. Peko-Wallsend shares were 440p, those of EZ Industries were 135p and Pancontinental were 800p.

ROUND-UP

Iron ore reserves of more than *10m. tonnes have been found in* Baluchistan, Pakistani Government sources said in Quetta. Exploration work was carried out by the State-owned Industrial Development Corporation with Chinese assistance. The Chinese have advised the establishment of mini steel mills in the area and are apparently ready to assist technically and financially.

* * *

The Zambian Government has reached agreement with Anglo American of South Africa and Jardine Matheson, the Far East trading company, for a joint venture to mine, cut and polish emeralds. The Government will hold 70 per cent. of the equity, it was reported in Lusaka.

* * *

Hunting Geology and Geophysics of Borehamwood has been awarded a contract by a state agency in the Malagasy Republic for airborne geophysical surveys as part of an assessment of *national resources*.

MINING BRIEFS

GEEVOR TIN—February output: 10,395 tonnes ore treated produced 59 tonnes Black tin (63 per cent. Sn) including 8 tonnes low grade concentrates. (January output 94 tonnes.)

PETALING TIN—February output 127 tonnes (January 124½ tonnes).

SAINT PIRAN—February production of tin concentrates: U.K., (tonnes treated 13,979), 171 tonnes (70 per cent. tin metal) (January 206 tonnes). Malaysia 29 tonnes (January 30 tonnes). Thailand 98 tonnes (January 93 tonnes).

Pulp prices hold back Inveresk

DEDUCTING £900,000 for the estimated effect of the *exceptional* fall in pulp prices during 1977, pre-tax profits of Inveresk Group finished the year £602,000 ahead at £2,159,000. At midway when no such debit was made the advance was from £291,000 to £1,320,000.

Sales for the year rose from £51.71m. to £70.82m. and profit was struck after depreciation of £1,053,000 (£847,000), interest £880,000 (£693,000), rationalisation £149,000 (£276,000) and included rental income of £331,000 (£272,000). In 1976 profit on the sale of Georgia-Pacific Corporation contributed £429,000.

Tax took £525,000 (£390,000), for stated net basic earnings per 50p share of 8.2p (7.3p), nil basic of 10.8p (9.6p) and fully *diluted* of 7.8p (6.8p). The net final dividend is 3.4135p for a 4.7903p (4.355p) total, costing £914,000 (£818,000). Minority profits were £24,000 (£6,000) and £591,000 (£438,000) was retained.

Commenting on the results, the directors say that they were achieved in spite of difficult economic circumstances and weak trading conditions in the second half. The earlier encouraging improvement was reversed rather suddenly and the resultant lower level of demand persisted for the remainder of the year, reflecting the slight decline in U.K. economic activity. There has been some reduction in customers' inventories during the second half of the year. Export sales showed a good increase from £2.4m. to £3.8m.

A feature of the year, which particularly dominated the last quarter, *has been the considerable* reduction in the market price of woodpulp, the principal raw material, which is sold in U.S. dollars. In addition, the strengthening of the exchange value of the pound against the U.S. dollar further reduced the sterling cost of pulp. This enabled profit margins for some products to be restored to more acceptable levels.

Some stock losses, however, were incurred, and pressures on the selling prices of most grades of paper have been considerable. In some market sectors this price weakness developed prior to the reduction in pulp prices. There has been an increase in imports at low prices from France, West Germany and traditional Nordic producers. In spite of these difficult economic factors, most group mills produced encouraging results.

Demand for converted packaging products continued to be firm during the first half but declined slightly during the second. There are now indications of some revival in call-off by customers.

The demand for stationery, both manufactured and distributed, began to show some slight but steady signs of revival during the second half. The stationery activities together produced an encouraging contribution to profit.

Since the beginning of 1978 pulp prices have stabilised and there has been no significant variation in the exchange value of the pound against the U.S. dollar. There has been a slight improvement in the trend of demand for most of the group's products.

● comment

Inveresk's promising first half start could not be sustained during the last six months. Sales, which had jumped 77 per cent. in the first six *months* were *clipped* back to a 14 per cent. rise to Dec. as demand fell after the stocking spree by customers in the first half. Lower demand came *at a time* when paper prices had already been weakened by falling pulp prices (down from $415 to $320 per tonne on quality pulp during Inveresk's financial year, a fall of nearly a quarter), while sterling appreciation added to the margin pressure. Profits fell by nearly half to £840,000 in the second half; all the estimated fall in pulp prices knocked off £900,000 from full year profits, with the loss being sustained in the last quarter. However, trading problems have been compounded by *the over capacity* that exists in the Western Europe market, which is encouraging intense price cutting. So the small advance in volume sales in the second half was mainly accounted for by steadier demand for the group's merchanting and converting activities.

However with buying patterns working in Inveresk's favour there is less stress on the balance sheet, particularly with £2.1m. taken away from last July's rights issue. At 66p (down 1p) the shares stand on a p/e of 8 and yield an attractive *11.5*, covered one and a half times.

Whitecroft reorganises

The building and civil engineering activities of the Whitecroft *Group is being reorganised* because of the construction recession.

Whitecroft announced yesterday that its George Longden subsidiary in Sheffield would be wound up and its activities transferred to a new company, George Longden Construction, which will come under the management of Z. and W. Wade, of Whaley Bridge, Stockport, the group's other building and civil engineering contractor.

The new company will assist in completing contracts in the Yorkshire area and will concentrate on smaller sized building and civil engineering contracts. It will continue the manufacture of doors and other special hardwood timber products.

George Longden Estates, the group's residential property developer and builder, will not be affected by the changes which the management says will enable the group to operate "in the most efficient manner to meet the expected demand for building contracts."

Stevens directors leave Manufacturers Hanover

BY JOHN WYLES

NEW YORK, March 7.

...IE THREAT of a large-scale ...thdrawal of union funds from ...posits at the Manufacturers ...nover Bank looks likely to be ...ccessful in forcing the depar... ...e from the bank's Board of ...o directors of J. P. Stevens.

...he union movement is con...cting a bitter battle to try to ...anise Stevens' southern tex... plants, and two unions have ...eady withdrawn nearly $7m. ...m Manufacturers Hanover in ...pport of a bid to unseat from ... bank's Board Mr. James ...lay, Stevens' chairman, and ... David Mitchell, chairman of ...on Products and a Stevens ...ector.

...his novel tactic seems to have ...ught its reward this morning ... the shape of a statement by ... Finlay, reported by Dow ...nes, that he would not seek re-election to the Manufacturers Hanover Board because "I don't want to be where I am not wanted." Mr. Finlay reportedly added that the bank had "put enough pressure on me not to seek re-election."

At the same time, Mr. Mitchell was also reported as saying that he would not seek re-election to the bank's Board because of conflicting business demands on his time.

Manufacturers Hanover had complained last week that it was being dragged into a dispute over which it had no control. However, the Bank was clearly concerned at its identification with Stevens and at the fact that the International Association of Machinists was due to decide next month on whether to drop the Bank as the manager for its $160m. funds.

Withdrawal of the two Stevens directors would bring immense satisfaction to the union movement, which recently scored a major court victory over the company. A Supreme Court refusal to hear an appeal on a Lower Court decision means that union organisers will shortly be gaining access to Stevens plants in the Carolinas, where a recruitment drive is under way.

Another tactic being employed against Stevens is a boycott of the company's products. This started last autumn and was aimed at hurting the company's financial performance. At its annual stockholders meeting in Greenville, South Carolina, today, the company reported a drop in its first quarter profits from $7.7m. last year or 66 cents a share to $7.1m. or 61 cents a share.

Mr. Finlay told the meeting that although the company's sales had been a record for any first quarter "escalating costs in every area of the business continue to be a factor which must of necessity threaten net income."

The Amalgamated Clothing and Textile Workers Union, which is spearheading the organising drive, claims that one major element of rising costs for the company is its legal fees. Unofficial union estimates put the cost of the company's resistance to court challenges at several million dollars over the past year.

Puerto Rico bank up for sale

WASHINGTON, March 7.

THE FEDERAL Deposit Insurance Corporation (FDIC) is looking for a buyer for the troubled Banco Credito y Shorro Ponceno, Puerto Rico's third largest bank.

The agency has asked 25 banks to consider taking over the Puerto Rican institution, which had year-end deposits of $650.2m. The FDIC would not say how many banks, if any, had submitted bids.

According to FDIC records, $22.9m. loss. In the prior year, the loss was $3.4m.

The Bank, which had been "a pioneer in financing construction" in Puerto Rico, was hurt when the recession rocked the building industry, Bank chairman, Mr. Alberto Castro, said in an interview.

"The recession hit us harder than anybody else," he said. "Profits went haywire."

Although the names of the banks asked to look at Banco Credito were not disclosed, it is known that two big New York institutions, Chemical Bank, a unit of Chemical New York Corporation, and Manufacturers Hanover Trust, a unit of Manufacturers Hanover Corporation, were among them. The two Banks declined comment, but it is understood that Manufacturers decided against submitting a bid after reviewing information sent by the FDIC, and that Chemical Bank is not enthusiastic

AP-DJ

Chris-Craft takes stake in Fox Film

BY OUR OWN CORRESPONDENT

NEW YORK, March 7.

MORE THAN 5 per cent. of the Common stock of Twentieth Century-Fox Film Corporation, whose financial position has been transformed by the success of the film Star Wars, has been purchased by Chris-Craft Industries.

The purchase, described by Chris-Craft as an investment, has raised speculation that the film company may once again be an acquisition target. Chris-Craft's action has been characterised as an "unfriendly move" by one source close to the company, partly because Chris-Craft's chairman was involved in an unsuccessful effort in the 1960s to take control of Paramount Pictures.

However, with sales of $88.3m. last year and current assets of $82.6m., Chris-Craft may not have the leverage to make a full bid for a company with a market valuation of more than $180m.

A spokesman for the company said yesterday that it had no plans to make additional purchases of Fox's stock nor to launch a bid for the film maker.

Chris-Craft's purchase follows its long and ultimately unsuccessful court battle for control of Piper Aircraft. Chris-Craft, which produces pleasure boats and owns independent television stations, recently sold its 43 per cent. stake in Piper to Bangor Punta Corporation for nearly $50m. and its $9.4m. expenditure on 407,000 of Fox's shares has been paid for out of the proceeds of this deal.

In a disclosure to the Securities and Exchange Commission, Chris-Craft said the Fox stock had been bought over several weeks at an average price of just over $23 a share. Fox's price closed on the New York Stock Exchange last night at $23.50, up $1.

With Star Wars already having earned $200m., Fox recently reported fourth-quarter earnings of $10.7m., almost double the profits of the year earlier quarter. The film's earnings are helping Fox launch its long-sought diversification and in the past six months the company has spent more than $51m. acquiring Aspen Skiing, the country's biggest ski resort operator, and Coca Cola Bottling Midwest.

● AP-DJ writes from New York: Ms. Dorothy M. Wolin, identifying herself as a shareholder of Columbia Pictures Industries, brought a suit against Columbia, several of its officers and directors and Price Waterhouse, Columbia's outside accountant, alleging various violations of Federal Securities Laws. None of the defendants had any immediate comment on the complaint, which was filed in Manhattan Federal Court.

The complaint accuses Columbia of improper accounting practices, failure to disclose the extent of the relationship between Columbia and film producer Mr. Ray Stark and failure to disclose that Mr. David Begelman, former president of the company's film and television units, was withdrawing funds improperly from the company.

Columbia previously said it disclosed its ownership of Stark's production company in public documents and that it investigated and disclosed Begelman's misdeeds as soon as it learned of them.

PPG warns on effects of Corco move

PITTSBURGH, March 7.

PPG INDUSTRIES will "monitor events closely" at its operations in Puerto Rico, according to the company, as a result of the announcement by Commonwealth Oil Refining Company (Corco) that it had filed for protection under Chapter 11 of Federal Bankruptcy Law.

PPG and Corco are partners in Puerto Rico Olefins Company. Commonwealth Oil said that while it is endeavouring to work out a plan to resolve its financial difficulties, it expects to continue to operate its refinery and wholly-owned petrochemical plant and to supply its customers.

PPG said that although it is not possible at present to assess the impact that Corco's bankruptcy proceeding could have on the Puerto Rico Olefins and PPG's Guayanilla complex, their employees and the Commonwealth of Puerto Rico, the economics of operating those two facilities could be "adversely affected."

PPG said that its present plan remains to continue operations in Puerto Rico but the company pointed out that the developments arising from the Corco bankruptcy proceedings or other events could require a reassessment.

Meanwhile, in Houston, Coastal States Gas Corporation said that a Federal Bankruptcy Judge in San Antonio had issued an order that effectively assures continued payment to a Coastal States unit for delivery of feedstocks to Commonwealth Oil Refining Company's Puerto Rico refinery complex.

Coastal States said the Court affirmed previously announced contracts between the Coastal States unit and Commonwealth calling for Coastal to be paid one day in advance for delievries of up to 160,000 barrels a day of crude oil, naphtha and condensate. The companies recently announced the deliveries under a six-month contract.

AP-DJ

Marshall Field holders may take action on bids

CHICAGO, March 7.

...RSHALL FIELD may be the ...get of a proxy fight to force ...ectors to back down on their ...position to takeover attemps, ...ording to some analysts.

...ield's stock turned around last ...ek, rising 2¼ to 23¼ on $18,300 ...res on Thursday and gaining ... second most active on the ...SE on Friday.

...reviously, the stock fell $4 ...er Carter Hawley Hale Stores ...thdrew its offer of $42 a share ... February 22.

...wo stockholder class action ...ts have been filed seeking ...0m. damages from Field ...ectors for their attempts to ...ck the Carter Hawley bid.

...Mr. John Landschulz of ...strow and Co., said share...ders are angered by the com...ny's rejection of the Carter ...wley bid, and, it seems the ...t thing is a proxy challenge.

...Mr. Irwin Panter, a Chicago ...orney, who represents the Marshall Field shareholders in the suit, said he is considering initiating a proxy fight, but he added: "to do a good proxy fight, the time is very short."

Field's annual meeting is scheduled for May 25.

Mr. Panter said several brokerage houses had contacted him in recent days and he hopes some might support a proxy fight.

Meanwhile, Mr. Landschulz said the stockholder dissension is encouraging speculation in the stock. About 10 per cent of Field's 9.1m. outstanding common shares changed hands in a recent three-day period.

Mr. Harvey Bundy, of William Blair, noted that a lot of the stock had changed hands in the past two months.

Mr. Landschultz and Mr. Bundy said Field has long been the subject of takeover rumours which will continue for some time to affect the stock's price.

Reuter

...anks admit to 'privileges'

BY OUR OWN CORRESPONDENT

NEW YORK, March 7.

...RTIAL support for Mr. Bert ...nce's contention that it is ...mmon practice for United ...ates banks to grant special ...ivileges to "insiders" has ...erged from a survey of the ...ion's 14,000 commercial banks ...nducted by Federal authori...

...Mr. Lance took his stand on ..."stom and practice" during ... Senate Banking Committee's ...estigations of his conduct as ...irman of the Calhoun First ...ional Bank. Although he sub...uently resigned as Budget ...ector, Mr. Lance has main...ned that his use of overdraft ...lities for himself and his ...ily has not been out of the ...inary in the banking world.

...t the instigation of the ...ate committee, the Federal ...erve Board, the Federal ...osit Insurance Corporation ... the Controller of the Cur...cy—the Federal regulatory bodies for banking—set out to establish the prevalence of such practices.

They found that of the 13,748 banks which responded, about 30 per cent. granted interest-free overdrafts of more than $1,000 to "insiders" in the first nine months of last year. Some 102 banks acknowledged that they had at least one "insider" overdraft amounting to $100,000 which was free of interest while 183 banks had similar overdrafts worth between $50,000 and $100,000.

Since several of the nation's largest banks have asked for more time in which to respond to the survey, the results are incomplete and are unlikely to be viewed as conclusive proof of Mr. Lance's allegations. Nevertheless they could cause some disquiet in the Congress and may strengthen support for moves to add to the regulations under which United States banks operate.

...A T & T outlook bright

...ERICAN TELEPHONE and ...egraph (AT and T) which said ...expects "another good year" ...1978, had earnings in 1977 as ...viously reported of $4.5bn. or ...7 a share, agencies report ...m New York.

...e AT and T chairman Mr. ...utts said AT and T's sub...aries will have to raise ...ween $2bn and $2.3bn. to ...nce AT and T's $12.8bn. con...ction programme for 1978.

...T and T is "gearing up people ... space" to defend itself in the ...ernment's anti-trust suit, Mr. ...utts said adding that 3,000 ...loyees will be involved in the ...up's efforts which will cost ...m. in the first year.

...answer to a question Mr. ...utts said that Bell system ...nomists are predicting a 6.2 ...cent. inflation rate in 1978 ... real growth of 4.6 per cent.

...e group's total capital spend... programme is estimated at ...bn., up $300m. from the ...bn. estimate given a month ...

...e Bell system now uses ...nal funds for some 75 per cent. of its capital spending against around 48 per cent. a few years ago.

Beatrice Foods

BEATRICE FOODS said directors had voted to increase the quarterly divided to 27 cents a share from 24 cents, payable April 1, reports Reuters from Chicago.

The company estimated that sales were $6.2bn. in the year ended February 28 and repeated an earlier forecast of record earnings for fiscal 1978. Beatrice said its sales goal for fiscal 1979 is $7bn.

LOEWS CORP.

Fourth Quarter	1977 $	1976 $
Revenue	843.0m.	730.1m.
Net profits	30.84m.	18.21m.
Net per share	2.51	1.40
Year		
Revenue	3.2bn.	2.8bn.
Net profits	86.93m.	61.83m.
Net per share	6.82	4.78

INTERNATIONAL FINANCIAL AND COMPANY NEWS

DOMESTIC BONDS

Capital inflows dominate markets

BY JEFFREY BROWN

THE TASK of mopping up excess liquidity continues to dominate domestic bond markets in the major European centres against a background—in Germany—of speculation that the authorities are about to mirror the recent Swiss measures and tighten their control over the inflow of foreign capital.

In Frankfurt markets are holding very steady despite a welter of new paper, culminating yesterday in a massive DM1.7bn. tender by the banks for the new three and four year issues in Kassenobligationen. The new ten-year bond unveiled yesterday by the Dutch government is also expected to attract heavy demand.

Dealers in Frankfurt have begun to notice pockets of profit-taking but this has yet to affect overall sentiment. The most recent government funding — a split tranche bond of eight and 15 years — stands currently at a premium of over 1½ points, and at this stage there is no suggestion that the market is about to slip backwards.

It is clear that the intense currency uncertainty that has so far marked 1978 has turned Frankfurt into something of a sellers market. In massive trading volume interest rate differentials have been largely ignored as investors have scrambled for hard currency assets against a background of persistent movements in the D-Mark exchange rate in favour of Germany.

The latest consumer price index has taken the inflation rate for one month down to 3 per cent. from the 3.2 per cent. of January. But the sharp upward movement last month in the money supply in Germany is an obvious inflationary headache for the Bundesbank which has had to create a mammoth amount of new currency in recent weeks in support of the dollar.

A snap poll yesterday of bond dealers suggested, however, that any package of measures from the Bundesbank aimed at stemming the inflow of foreign capital into Germany would be less stringent than the recent Swiss measures. The major betting was for controls on foreign borrowing by German industry coupled with a modest cut in the official discount rate.

It is the latter prospect that underpins average bond yields at present of just 5½ per cent. for seven year issues. This was also responsible for the tightness of the terms of the tender in Kassenobligationen where minimum yields 4.4 per cent. and 4.6 per cent. respectively were offered on three and four year paper.

The latest funding by the Dutch government is another 7½ per cent. loan this time running for ten years compared to a 15 year maturity for the January issue. The terms surprised many dealers and are noticeably generous. As a result demand should comfortably match the Fls.500m. put up for the authorities' previous issue.

In Switzerland the long awaited offering by the City of Zurich finally emerges as a 3 per cent. issue with a maturity of 13 years. This represents a quarter point cut in coupon against recent Swiss offering of this status, but with traditional caution the authorities have reduced the life of the loan from a widely expected 15 years.

Already struggling to digest the latest central bank measures, financial markets in Zurich were further unsettled late yesterday afternoon. The equity market closed with a decline of 8 per cent. in just five trading days, and both foreign and domestic bond markets were noticeably weak.

O und K circumspect on prospects

By Jonathan Carr

BONN, March 7.

A STRONG rise in export business last year carried turnover of the parent company of Orenstein und Koppel (O und K) past the DM1bn. mark ($2bn.) for the first time. But the Dortmund-based engineering and shipbuilding concern is circumspect about prospects for this year, in view of the continuing rise of the Deutsche Mark.

The parent's 1977 turnover totalled DM1.01bn.—an increase of 15 per cent. against the previous year. The company notes the rise was due exclusively to growth in exports which now account for 62 per cent. of sales against 55 per cent. in 1976.

The company is a major manufacturer of construction machinery and this sector registered the biggest sales growth last year—followed by the fork-lift trucks division. O und K group turnover (including foreign affiliates) rose only modestly to just over DM1.1bn.

The orders intake last year totalled DM870m.—55 per cent. of it from abroad. Orders in hand at the end of the year were worth DM770m. The company makes clear that proceeds from some of the orders gained in the shipbuilding sector will not cover costs—a reflection of the bitter competition from foreign yards, often state subsidised, for slim business.

The company gives no profit figure yet. It simply says it should be able to produce a result going far to satisfy the expectations of its shareholders.

Deutsche Marathon Petroleum sale

DEUTSCHE Marathon Petroleum GMBH, a subsidiary of Marathon Oil of the U.S., has sold its 40 per cent. interest in Erdoel-Raffinerie Mannheim GMBH to Wintershall AG.

Erdoel-Raffinerie, which owns and operates a 5.6m. tonne per year refinery in Mannheim, was formed in 1961 as a joint venture between Wintershall and Marathon, with Wintershall owning 60 per cent.

Marathon Oil reports that the sale will increase its first-quarter earnings by about $10m., or 33c. a share.

Agencies

Margins up at Ballast-Nedam

BY CHARLES BATCHELOR

AMSTERDAM, March 7.

BALLAST-NEDAM, Holland's third largest construction company, reported a 40 per cent. rise in net profit in 1977 on marginally lower sales.

News of the sharp rise in profits comes only a fortnight after the announcement that Mr. Pieter Heerema, a Dutch businessman, had acquired about 50 per cent. of the company's share capital.

Net profit in 1977 was Fls.17.6m. compared with Fls.12.5m. the year before and Ballest-Nedam's earlier forecast of Fls.16m. Sales fell to Fls.1.2bn. from Fls.1.24bn. The company is to raise its dividend to Fls.4.8 per share from Fls.4. Profit per share rose to Fls.13.80 (Fls.13.30) after an increase in capital to Fls.25.5m. from Fls.18.7m.

Cash-flow fell to Fls.47.7m. from Fls.50.6m., due to the decision to set a large part of its Middle East investments against work in hand from January 1977. This led to a lower depreciation charge. Order books rose to Fls.5.5bn. from Fls.1.3bn. largely due to a Fls.4.7bn. order from Saudi Arabia to build several townships.

Mr. Heerema announced his sizeable stake in Ballast-Nedam's capital on February 24 shortly after the private placement of Fls.5m. of new capital with Minefa Holdings. Minefa was originally thought to represent Arab interests but was in fact operating for Mr. Heerema's Antillian holding company. Antillian Holding made its purchases on the stock exchange over a long period.

Layoffs at Daf Trucks

BY OUR OWN CORRESPONDENT AMSTERDAM, March 7.

A STRIKE at the Belgian factory of the Dutch commercial vehicle maker Daf Trucks, has forced the company to start closing down its plant in Eindhoven.

The company could lay off some 1,500 workers by the end of the week if the strike, which began a week ago, continues much longer, a company spokesman said.

The factory at Oevel in Belgium makes cabins and axles for Daf's range of trucks. Stocks at Eindhoven will soon be exhausted and there are no other sources of supply. Daf said it has applied to the labour office to put the men on short time working which would allow it to recoup some of the cost from unemployment funds.

Oevel is Daf's only foreign production plant. The company expanded over the Belgian border in the early 1960s to tap the labour market there.

Greek ship repairer forced to close

BY OUR OWN CORRESPONDENT

ATHENS, March 7.

NEORION Shipyard, the ship repair yard on the Aegean island of Syros controlled by the N. J. Goulandris Group, is closing down because of financial difficulties. The decision was taken at a recent general assembly of shareholders.

Given the present state of the world economy and its effect on shipping, the shipbuilding facilities in Greece are not working at full capacity, and even repair work has slackened off in recent months.

Commenting on the problems of the ship repair sector, a shipping source here explained that due to the continuing shipping crisis, even fewer ships than before are still operating. The owners of the vessels do the minimum repairs required by Lloyd's or other classifications, with the result that shipyards are quoting rock bottom prices, most of the time at a considerable loss, in order to secure work. This, of course, is suicidal unless followed up by some kind of profit-making business.

Compounding the difficulties of Neorion Shipyard in recent weeks have been a series of strikes by its 1,200 workers.

EUROBONDS

Sharp decline in Swiss market

BY MARY CAMPBELL

THE main development in the international bond market yesterday was the sharp weakening of Swiss franc foreign bonds. Conversely, dollar bonds continued to improve.

Swiss franc foreign bond prices are down perhaps three points since last Friday—which puts them perhaps six points down on the period before the Swiss announced their measures to control inflows of capital.

The falls in Swiss bond prices apparently occurred in thin trading conditions. Activity in the dollar sector was apparently good by recent standards.

It has now been decided that the lead manager for Canada's $750m. New York issue will be Morgan Stanley. The other managers will be Salomon Brothers, A. E. Ames and Wood Gundy. It is confirmed that the issue will consist of three $250m. tranches, one for five years, one for 7½ years and one for 20 years. The issue is likely to be filed with the U.S. Securities and Exchange Commission either to-day or to-morrow.

Costa Rica is to launch a $20m. floating rate note via Banque Nationale de Paris over next week-end.

Slowdown at Ferodo but payment raised

By David White

PARIS, March 7.

THE leading French motor parts company Ferodo saw its growth rate slow last year and parent company net profit drop back from Frs.63.1m. to Frs.59.1m. ($12.5m.). It has made a gesture of confidence, however, by proposing a Frs1.90 increase in its dividend to Frs.20.70 (excluding tax credit), a slightly sharper rise than last year.

Sales rose by 8.5 per cent. to Frs.1.67bn. following a 25 per cent. spurt in 1976. The trend at Ferodo, whose main lines are electrical accessories and clutches, was however ahead of the motor industry as a whole.

Last year's car output in France, though beating expectations and reaching a record of over 3m., grew by under 4 per cent. after 17 per cent. the year before, while the lorry sector has been in the doldrums. Although the French car and heavy vehicles companies are Ferodo's main market, the company said its direct exports continued to grow last year and slightly increased their 23 per cent. share of parent company turnover.

New fixed investments by the parent company, which it began to build up last year after a depressed period, showed a sharp 36 per cent. increase to Frs.104.7m. cash flow, including substantially increased depreciation of Frs.75.7m., rose to Frs.156.6m. from Frs.138.4m., equivalent to 94 per cent. of turnover.

Ferodo embarked last year on a two-year group investment programme totalling Frs.440m., financing part of it with a Frs.117m. convertible bond issue.

In the process of reorganising and updatin gits manufacturing facilities, Ferodo announced towards the end of last year that it was dropping its industrial electronics activities. This included selling the majority stake in its semi-conductor subsidiary Cogie.

Intercom taps shareholders

Financial Times Reporter

IN ITS second rights issue in just over 12 months Intercom, the largest producer and distributor in the Belgium electricity sector, is to ask shareholders for the equivalent of some $190m.

The company plans a one-for-five rights issue at a maximum price of B.Frs.1,800 a share. The issue will involve the issue of 3.42m. new shares. Last December Intercom raised just over $100m. through the issue on the Belgian capital market of a nine year loan.

The new shares will be priced at B.Frs.1,345 each plus a premium to be decided by an extraordinary meeting on April 10, but the maximum price will be set at B.Frs.1,800 per share. New shres will be eligible for dividend from May 1, 1978, and the offer period runs from May 23 to June 7. Out of the total, 36,000 new shares will be offered to company employees.

At the close of last year, the company reported—via the prospectus for its bond issue—that the results for 1977 would enable payment of an at least maintained dividend.

* * *

Banco di Roma, one of Italy's main state-controlled commercial banks, is to increase its capital from L40bn. to L70bn., through a L10bn. rights issue and a L20bn. no consideration issue.

Sales upsurge fails to stem KemaNobel setbac[k]

BY WILLIAM DULLFORCE

STOCKHOLM, Ma[rch 7.]

PRE-TAX earnings of KemaNobel, the Swedish chemicals company, fell by 11 per cent. from Kr.135.4m. to Kr.120.7m. ($26.24m.) in 1977 despite a 27 per cent. growth in turnover to Kr.2.26bn. ($492m.), according to the preliminary figures.

The decline, forecast in the half-year interim, is attributed to the weakening of the chemicals market throughout Europe. It was accentuated by sharp profit falls on consumer goods production in Sweden and on the silicon and LD-polyethene operations.

The Board proposes to pay an unchanged dividend of Kr.10 an Ordinary share and Kr.10 on Preference share. It also recommends a bonus issue of one-for-five to increase the share capital by Kr.49.4m. and a stock split, halving the nominal value of the shares to Kr.50 each. The book value of some power stations and other plant has been written up by Kr.70m., improving the company's equity to debt ratio to 40 per cent.

The preliminary report indicates a drop of Kr.9.5m. in second half earnings to Kr.55.6m. The theoretical earnings per share for 1977 come out at about Kr.25 compared with Kr.30 for the previous year. A net profit of Kr.55.6m. is shown for 1977 compared with Kr.45.1m. after an unspecified reduction of Kr.25m. in allocations.

Nitro Nobel, the explosives subsidiary which has been swiftly increasing its international trading, reported an increase in pre-tax profit of over Kr.15m. to Kr.42.9m. last year. This means that earnings by the rest of the concern fell by almost Kr.30m. The Board believes that the concern's continuing expansion abroad offers grounds for forecasting some improvement in earnings in 1978.

KemaNobel is being sued by Bofors, the armaments, steel and chemical group, for changing its name from Kemanord, when it took over the outstanding stock in Nitro Nobel last year. Bofors runs its chemical operations under the name Bofors Nobel and owns a subsidiarby named Nobel Kemi.

The dispute goes back to Alfred Nobel, the invent[or and] founder of the Nobel priz[e, who] bought a majority hold[ing in] Bofors in 1894 and who l[ived in] Karlskoga, where Bofors [has its] headquarters. On the oth[er hand,] Nobel's first company, [Nitro] Glycerin, was the forerun[ner of] Nitro Nobel, now incor[porated] in KemaNobel.

The Swedish patent an[d regis]tration office has ap[proved] KemaNobel's new name. [Bofors] has appealed to a Sto[ckholm] court against this decision.

PKbank second half ris[e]

IN LINE with the two other major Swedish commercial banks PKbank reports an improvement in second half earnings, giving a 5.8 per cent. growth to Kr.521m. ($114m.) in operating profit for 1977 as a whole. Mr. Bertil Danielsson, the managing director, complains nevertheless that the profit is too low to cover the dividend, tax and the inroads of inflation on capital.

The state-owned PKbank is Sweden's largest commercial bank. Its assets passed the Kr.50bn. ($10.9bn.) mark in 1977. At the same time it improved its share of the total Swedish credit market with an 11.8 per cent. increase in deposits and an 18.6 per cent. growth in lending. This is the more significant in that last year parliament lifted the regulation compelling state institutions to use state banks.

Mr. Danielsson puts the effect of inflation on the bank's capital base at Kr.476m., leaving a "real" profit of only Kr.45m., which is insufficient to cover the unchanged dividend of Kr.67m. and the Kr.47m. tax. To beat i[nflation] the bank needed an o[perating] profit of Kr.606m.

The weakening of the [capital] base is, however, offse[t by the] high level of liquidity, the [strong] deposit growth and the [bank's] continuing penetration [of the] industrial and commerci[al lend]ing market. Some 36 p[er cent.] of its loans went to busi[ness at] the end of October co[mpared] with 18 per cent. a year e[arlier.]

These factors give PK[bank a] good basis for improving [profit]ability, according to Mr. [Daniel]son, who anticipates a gr[owth in] earnings this year. But h[e takes] issue with Riksbank ([central] bank) credit policy. Co[ntrol of] the interest spread is pre[venting] the bank from obtaining [a] market return on its lend[ing, he] argues.

The bank's income [from] interest grew by Kr.10[...] Kr.1.12bn. while earning[s from] commissions were up Kr.[...] Kr.196m. Significantly h[...] growth in commissions [came] from foreign dealings.

Rights issue from Moevenpic[k]

BY JOHN WICKS

ZURICH, Ma[rch 7.]

MOEVENPICK Holding, the catering group, aims to increase its share capital from Sw.Frs.11m. to Sw.Frs.15.4m. via a rights issue. Terms would be a one-for-three issue of 4,667 bearer shares of Sw.Frs.500 nominal value and 13,333 registered shares of Sw.Frs.100 each at a price of 350 per cent. in either case. At the same time, a further 1,333 bearer shares and 667 registered shares would be issued without shareholders' drawing rights for the expansion of the company's staff share fund.

Proceeds from the share issue will be used for a faster repayment of debts on hotel operations in the short-term and for redemption of a bond issue maturing in 1981 in the medium term.

Unconsolidated group turnover of Moevenpick in Switzerland, Germany and Egypt rose by 14.4 per cent. in 1977 to Sw.Frs.331.2m. (Sw.Frs.290m.), with cash-flow improving by as much as 41.9 per cent. to Sw.Frs.24.4m. (Sw.Frs.17.2m.). The satisfactory profits situation will permit a raising of dividend from 12 to 14 per cent. Future expansion will be centred particularly on the fast food concept, according to company chairman Ueli Prager.

Hoffmann-La Roche

WORKING through its Australian subsidiary Roche Products Pty, the Swiss chemical concern F. Hoffmann-La Roche and Cie AG has acquired 73 per cent. of the Australian agro-chemicals manufacturer Lane. The Swiss group bought 6.48m. shares of Lane for $A1.07 each from the American under[...] Ansul Co.

Hoffmann-La Roche [has] expressed its readine[ss to] acquire the remaining sto[ck but] stated it would rather no[t...]

Good year for BS[I]

THE LUGANO-based [Banca] Della Svizzera Italiana (B[SI] is) "really satisfied" with it[s 1977] results. The company ["has] "developed from a re[gional] institute to a universal [bank] working on a national and [inter]national scale. BSI expect[s 1978] to prove another satisf[actory] year.

Net profits rose in 1977 [from] Sw.Frs.21.6m. to Sw.Frs.[...] despite a relatively small [...] Sw.Frs.148.3m. (Sw.Frs.144[...]) overall income due prima[rily to] the high level of the Swis[s franc] exchange rate. The bank's balance-sheet total expand[ed by] 5.8 per cent. to Sw.Frs[...] (Sw.Frs.2.27bn.), recom[mending] distribution of unchange[d divi]dends of Sw.Frs.60 per [bearer] share and per partic[ipation] certificate and Sw.Frs.1[...] registered share.

Asuag purchase

SWITZERLAND'S leading [watch] maker, Allgemeine Sch[weizer]ische Uhrenindustrie (ASUAG), is to take ov[er the] outstanding 37 per cent. in its watch component a[...] Ebauches SA. The deal v[...] the subject of an ASUAG [extra]ordinary general m[eeting.] Minority shareholders wo[uld be] offered 3½ ASUAG shar[es of] Sw.Frs.200 nominal value for each Sw.Frs.500 Eb[auches] share.

Ebauches is, together [with] General Watch Company[, the] most important divisio[n of] ASUAG, whose group tu[rnover] exceeded Sw.Frs.1bn. in [...] Ebauches has itself a large [num]ber of subsidiaries in S[witzer]land and also owns compa[nies in] Germany, France and the [...] It is at present the subj[ect of] large-scale investment and [R and] D expenditure in connectio[n with] ASUAG's efforts on the [elec]tronic products market.

New powers for Bank of Spain

BY OUR OWN CORRESPONDENT

MADRID, March 7.

THE BANK OF SPAIN was given powers under a new law to-day to take over the administration of private banks and liquidate their assets if necessary.

The decree law, approved by the urgent legislation committee of the Cortes (parliament) last night, is in line with the Government's declared aim of giving the central bank greater autonomy.

The Bank of Spain took over the small commercial Banco de Navarra in January and since then a "hospital bank" has been formed, 50 per cent. subscribed by the central bank and the rest among other banks, to come to the aid of ailing banks. The new law means that the central bank no longer has to seek the authority of the Finance Ministry to intervene.

The law also authorises the central banks to suspend temporarily those banks which commit irregularities, in matters of tax for example. In the event of this happening the central bank would nominate delegates to look after the bank under inspection. If they decided to suspend the operations of the bank under review permanently then they would automatically become the liquidators.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan Australia 9½pc 1989	96	96½
AMEV 8pc 1987	96	96½
Australia 8½pc 1992	94½	95¼
Australian M. & S. 9½pc '92	98¼	99
Barclays Bank 8½pc 1992	96½	97½
Bowater 9½pc 1992	97	98
Can. N. Railway 8½pc 1986	97½	98½
Credit National 8½pc 1986	97½	98
Denmark 8½pc 1984	100	100½
ECS 9pc 1993	98½	99½
ECS 8½pc 1997	95½	96½
EIB 8½pc 1992	97½	98½
EMI 9½pc 1989	99	99½
Ericsson 8½pc 1989	95½	96½
Esso 8pc 1986 Nov.	100½	101
Gt. Lakes Paper 8½pc 1984	99½	100
Hamersley 9½pc 1992	100½	101
Hydro-Quebec 9pc 1993	96	96½
ICI 8½pc 1987	96½	97½
ISE Canada 9½pc 1986	103	103½
Macmillan Bloedel 9pc 1992	96½	97½
Massey Ferguson 9½pc 1991	96	97
Michelin 9½pc 1988	101½	102½
Midland Int. Fin. 8½pc 1992	97½	98
National Coal Bd. 8pc 1987	94½	95½
Natnl. Wstmnstr. 9pc 1986	101½	102½
Newfoundland 9pc 1989	100	100½
Norges Kom. Bk. 8½pc 1992	96	96½
Norpipe 8½pc 1989	95½	96
Norsk Hydro 8½pc 1992	95½	96½
Oslo 9pc 1988	100½	101½
Ports Autonomes 9pc 1991	98½	99
Prov. Quebec 9pc 1995	96½	97
Prov. Saskatch. 8½pc 1986	100	100½
Reed International 9pc 1987	89	91
RHM 9pc 1993	93	93½
Selection Tst. 8½pc 1989	90½	91½
Skand. Enskilda 9pc 1991	98½	99
SKF 8pc 1987	92½	93
Sweden (K'dom) 8½pc 1987	95½	96½
United Biscuits 9pc 1989	98½	99½
Volvo 8pc 1987 March	92	93½

NOTES	Bid	Offer
Australia 7½pc 1984	95½	96½
Bell Canada 7¾pc 1987	94½	95½
Br. Columbia Hyd. 7¾pc '85	94½	95½
Can. Pac. 8½pc 1984	99½	100
Dow Chemical 8pc 1986	96½	97½
ECS 7¾pc 1982	97	97½
ECS 8½pc 1989	95½	96½
EEC 7¾pc 1982	96½	97½
EEC 7¾pc 1984	95½	96½
Enso Gutzeit 8½pc 1984	96½	97½
Gotaverken 7¾pc 1982	97½	98½
Kockums 8pc 1983	96	96½
Michelin 8½pc 1983	99½	100½
Montreal Urban 8½pc 1981	100½	101½
New Brunswick 8pc 1984	97½	98
New Bruns. Prov. 8½pc '83	100½	101½
New Zealand 8½pc 1986	98	98½
Nordic Inv. Bk. 7¾pc 1984	94½	95
Norsk Hydro 7¾pc 1983	96½	97½
Norway 7¼pc 1982	96½	97
Ontario Hydro 8pc 1987	96	96½
Singer 8½pc 1982	99½	100½
S. of Scot. Elec. 8¼pc 1981	99½	100½
Sweden (K'dom) 7¾pc 1982	93	93½
Swedish State Co. 7¾pc '82	97	97½
Telmex 9½pc 1984	99½	100½
Tenneco 7¾pc 1987 May	91	93½
Volkswagen 7¾pc 1987	93½	94½

STERLING BONDS	Bid	Offer
Allied Brews. 10½pc 1990	[illegible]	95
Courtaulds 9½pc 1989	96	96½
ECS 9½pc 1989	93½	94½
EIB 9½pc 1988	100	100½
EIB 9½pc 1992	97½	98½
Finance for Ind. 9¾pc 1987	98	98½
Finance for Ind. 10pc 1989	98½	99
Pisons 10½pc 1987	100½	101½
INA 10pc 1988	97½	98½
Rowntree 10½pc 1988	97½	98½
Sears 10½pc 1988	97½	98½
Total Oil 9½pc 1984	97½	98½

DM BONDS	Bid	Offer
BFCE 5½pc 1988	100½	101½
BNDE 6pc 1988	98½	99½
Denmark 5¾pc 1984	100½	101½
EIB 5½pc 1990	98½	99½
Euratom 5½pc 1987	100	100½
Eurofima 5½pc 1988	100	100½
Finland 5½pc 1986	99	99½
Forsmarks 5½pc 1990	99½	100½
New Zealand 5½pc 1986	100	100½
Norcem 5½pc 1989	101	101½
Norway 4½pc 1983	101½	102½
Spain 6½pc 1984	102	102½
Sweden 6pc 1988	101½	102½
TVO Power Co. 6pc 1988	99½	100½
World Bank 5½pc 1990	100	100½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 7 15/16pc	99½	99¾
BFCE 1984 7pc	99½	99¾
BNP 1983 8 1/16pc	99½	100½
CCF 1983 8pc	99½	100½
CGMF 1984 7¾pc	98½	98½
Creditanstalt 1984 7¾pc	98½	99½
Credit Lyonnais 1982 8pc	99½	100½
DG Bank 1982 7 15/16pc	99½	100½
GZB 1981 7¾pc	100½	100½
Intl. Wstmnstr. '84 7 15/16pc	99½	100½
Lloyds 1983 7¾pc	100½	100½
LTCB 1983 8pc	99½	100
Midland 1982 8pc	100½	101½
Midland 1987 7 11/16pc	99	99½
OKB 1983 7¾pc	99½	100½
SNCF 1985 8½pc	95½	99½
Std. and Chtrd. '84 7 11/16pc	99½	100½
Wms. and Glyns '84 8 1/16pc	99½	100½

Source: White Weld Securities London.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	81	83
Ashland 5pc 1988	86	88
Babcock & Wilcox 6½pc '97	92½	93½
Beatrice Foods 4¼pc 1992	90½	92½
Beatrice Foods 4½pc 1992	100	103
Beecham 6½pc 1992	92½	93½
Borden 5pc 1992	87½	89½
Broadway Hale 4½pc 1987	75½	77½
Carnation 4pc 1987	75	77
Chevron 5pc 1988	119½	121½
Dart 4½pc 1987	76	78
Eastman Kodak 4½pc 1988	77	79
Economic Labs. 4½pc 1987	76	78
Firestone 5pc 1988	78	80
Ford 5pc 1988	82	84
General Electric 4¼pc 1987	79	81
Gillette 4¾pc 1987	75½	77½
Gould 5pc 1987	100½	102½
Gulf and Western 5pc 1988	78½	80½
Harris 5pc 1992	136	138
Honeywell 6pc 1986	84	86
ICI 6¾pc 1992	86½	87½
INA 6pc 1997	90	91½
Inchcape 6½pc 1993	104½	105½
ITT 4½pc 1987	75½	77½
Jusco 6pc 1992	104½	105½
Komatsu 7½pc 1990	113½	114½
J. Ray McDermott 4¾pc '87	129	131
Matsushita 6½pc 1990	131	133
Mitsui 7¼pc 1990	107	108
J. P. Morgan 4¾pc 1987	88	90
Nabisco 5½pc 1988	97½	98½
Owens Illinois 4½pc 1987	108	110
J. C. Penney 4½pc 1987	74	76
Revlon 4¾pc 1987	103	105
Reynolds Metals 5pc 1988	79½	81½
Sandvik 6½pc 1988	106½	108½
Sperry Rand 4¼pc 1987	83	84
Squibb 4½pc 1987	75½	78½
Texaco 4½pc 1988	75½	77½
Toshiba 6½pc 1992	103½	104½
Union Carbide 4½pc 1982	90	92
Warner Lambert 4½pc 1987	78	80
Warner Lambert 4½pc 1988	73	75
Xerox 5pc 1988	74	76

Source: Kidder, Peabody Securities.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Australians propose new company takeover rules

BY JAMES FORTH

SYDNEY, March 7.

[T]HE AUSTRALIAN associated [stoc]k exchanges to-day put for[war]d a number of proposals [desi]gned to improve the existing [rule]s governing company take[over]s. The suggestions followed [mou]nting criticisms of flaws in [the] present legislation and [exch]ange listing requirements [whi]ch enable unfair treatment [of s]ome shareholders.

[Th]e AASE announced last [Nov]ember that they were work[ing] on proposed changes and [that] they wanted back-up legisla[tion] from the State governments. [The] main criticism has been of [part]ial and "creeping" take[over]s and followed a number of [case]s where control of listed [com]panies was obtained through [on-] and off-market purchases, [ofte]n by a non-listed purchaser, [with]out a comparable offer [bein]g extended to all holders.

[Th]e proposals put forward by [the] AASE borrow from both the [Lon]don City Code and the rules [appl]ying in the U.S.: if adopted [they] will substantially curtail [the] ability of intending bidders [to] build up large advance [stra]tegic stakes in a target com[pan]y. They will also prohibit [“esc]alation clauses” under [whi]ch sales are made on the con[diti]on that the seller will receive [any] higher prices which may subsequently eventuate through a takeover bid.

The proposals would prohibit agreements for the purchase of securities in a target company where the monetary terms and conditions of the offer were not "precise sums certain" but allow the purchasing of options over securities provided all the terms and conditions were fixed and disclosed to the market.

This would effectively prevent escalation clauses, which are actually illegal if it can be proved there was an intention to make a formal offer under the Companies Act. Because of this difficulty escalation clauses have flourished.

Another proposal would change the definition of a substantial shareholder from 10 per cent. to 5 per cent. during the currency of a takeover offer.

Acknowledgement of a substantial shareholding would have to be made to the company and the stock exchange by 10 a.m. the following day which would also apply when shares were bought which lifted the stake to 15, 20, 25 and 30 per cent.

A person or company would be prohibited from obtaining more than 30 per cent. of a listed company unless a takeover offer was made to purchase the same proportion of shares from all holders and which was free of minimum acceptance conditions if the bidder had bought more than 5 per cent. of the capital within the preceding six months.

If the bidder despatched an offer, then bought on the market and subsequently withdrew its offer, the bidder would be bound to accept all shares offered up to the time that the withdrawal was announced.

The offer would also have to be on conditions no less favourable than applied to any purchase during the preceding three months unless the bidder agreed to stand in the market for a four week period and purchase all the relevant shares offered at the highest price paid by the bidder during the preceding three months.

If a 30 per cent. interest was held and no bid was made the holder would be prohibited from obtaining any more shares for the next six months. Over the next six months only a further 5 per cent. could be purchased. Then a further six months period of grace would apply before the cycle could be repeated. This would effectively limit the increase in such shareholdings to 5 per cent. a year.

Strong advance at Blue Metals

BY OUR OWN CORRESPONDENT

SYDNEY, March 7.

[BLU]E METAL Industries, the [maj]or building products group, [incr]eased its earnings more than [..] per cent., from SA3.1m. to [SA5].0m. (U.S.$5.7m.) in the [Dec]ember half year, easily out[stripp]ing the growth in sales, which [rose] 14.3 per cent. from SA778m. [to] SA89m. (U.S.$103m.). The [inte]rim dividend is raised from [..] cents to 3.75 cents a share. [Last] year the group paid a final [of] 3.5 cents.

[Th]e directors said that improved productivity, resulting from recently planned modernisation programmes, a continued strengthening of demand for group products and fine weather all contributed to the improvement. Despite serious disturbances in the ready mixed concrete and related industries in New South Wales, the contribution from group operations rose by 47 per cent.

The directors added that overheads and interest costs were successfully contained in levels approximating those of the previous year. Group companies serving city office construction remained depressed, but housing related companies had shown slight growth while those serving public authorities had shown stronger growth. Investment income increased by 26.7 per cent., reflecting a higher plateau of construction activity throughout Australia during the six months.

[E]lder Smith [l]ittle changed

ADELAIDE, March 7.

[EL]DER Smith Goldsbrough Mort, [the] wool-broking and pastoral [com]pany, reports unaudited con[soli]dated operating profit of [SA4].47m. ($US5.09m.) for the [half]-year ended December 31, [com]pared with SA4.42m. income [of SA6]5.36m. (SA72.51m.).

[Th]e profit is struck after tax [of S]A2.63m. (SA2.90m.), depre[ciati]on of SA2.28m. (SA1.3m.), [inter]est of SA17.89m. (SA16.79m.) [and] provisions for doubtful debts [and] fluctuations in investments [of S]A2.29 (SA3.75m.), but before [extr]aordinary profit of SA14,000 [(SA]48,000) and minorities of [SA..]4,000 (SA309,000).

[Th]e interim dividend is un[chan]ged at 4 cents, payable on [..]8 to shareholders registered [on M]arch 31.

[Direc]ders said that most divisions [had] gross revenue in the half[-year] but higher costs, increased [depr]eciation following the instal[latio]n of new and replacement [plant] and a substantially lower [volu]me of wool available for sale [adve]rsely affected profit.

[Ho]wever, the profit benefited [from] higher sheep and cattle [price]s, higher real estate agency [and] merchandising revenue and [impr]oved international trading [resul]ts.

[Direc]tors said that the very dry [weat]her over much of Southern [Aust]ralia, a lower volume of wool [for s]ale, plus further salary and [wage] increases adding to costs, [will] continue to affect profit[abilit]y adversely in the second [half-ye]ar.

Qantas back in profit

CANBERRA, March 7.

THE state-owned Australian airline, Qantas Airways, reported a net profit of SA10.24m. ($U.S.11.68m.) in the year ended March 31, 1977, against a SA7.21m. loss in the previous year.

Revenue rose to SA564.12m. ($U.S.643.53m.) from SA471.58m., and the number of passengers carried totalled 1.59m. against 1.49m.

The revenue load factor rose to 58.5 per cent. from 56.2 per cent., Qantas said.

The airline said in its annual report that the return to profitability was assisted by higher revenue, cost reductions and the economies brought about by the replacement of Boeing 707 aircraft with the larger and more efficient Boeing 747B jumbo jet.

It added, however, that revenue and earnings had begun to be seriously eroded towards the end of its trading year, as discounting again spread through the international air travel market.

Reuter

Decline continues at Nan Fung

BY DANIEL NELSON

HONG KONG, March 7.

NAN FUNG TEXTILES Consolidated continued its profits decline with a consolidated net profit of HK$2.08m. for the six months to September 30, down from HK$24.43m. for the equivalent period of the previous year. But the interim dividend is maintained at 12 cents.

Last year's total profit fell HK$9.04m. to HK$32.27m. after a second-half drop to HK$7.80m.

The company forecasts that the rest of the year will be better than the first half, because of lower raw material costs, but finds it difficult to predict whether the industry's future outlook is optimistic.

The statement said that the "drastic decrease" in the first half profit is as forecast in the last annual report. The group's spinning mills did not resume full production until September 1977. From mid-October, profit margins from production improved but declined again in January, with the selling price of yarn approximating to cost.

Cotton prices fell sharply during the first half of the current financial year and the stock of cotton and finished products had to be written down to current market value to the extent of HK$4.78m., which was charged against profits for the half year. This stock is still being used.

San Miguel Brewery 40% rise and scrip

HELPED BY last year's exceptionally hot, dry summer San Miguel Brewery increased its profit by 40 per cent. to HK$35.83m. (US$7.6m.). A one-for-one scrip issue, and a quarterly dividend, a final dividend and a cash bonus each of 20 cents, have been announced, writes Daniel Nelson.

The bonus will cost HK$26.53m. and the total distribution will be 90 cents, a 32 per cent. increase after adjustment for the previous bonus issue.

Wormald profit and dividend increased

By Our Own Correspondent

SYDNEY, March 7.

WORMALD International, the international security and safety equipment group, plans a one-for-four scrip issue and higher dividend payout following a solid growth in earnings for the December half year.

Group sales more than doubled from SA92.4m., and earnings jumped 83 per cent. from SA3.6m. to SA6.6m. The directors point out that the results are not strictly comparable because Mather and Platt, of the U.K., became a subidiary only in January, 1977. However, the directors said that progress had been made in the half-year, and that earnings in a broad sense were in excess of an average inflation rate applied to territories in which the company operates.

The consolidation of Mather and Platt with Wormald International is proceeding satisfactorily and according to plans. The expansion of the company's activities, particularly in the Middle East and Europe, had been of particular note. The directors expected that the earning rate of the company, which came out at 49 cents a share per annum in the latest six months would continue to increase. The Australian results were adversely affected by the Victorian power strike late last year and by a downturn in the building industry. The order intake however continued to be satisfactory. The directors have declared an interim dividend of 7.5 cents a share, which will be paid on capital increased by the scrip issue. The payout represents an effective increase of 7 per cent. on the 8.75 cents paid last year on pre-issue capital.

SAF Marine setback

South African Marine Corporation (SAF Marine) which is controlled by the Industrial Development Corporation of South Africa and by British and Commonwealth Shipping, has reported a decline in pre-tax profits for the six months to end-December to R12m. ($13.8m.), from R15.8m. a year earlier, writes Richard Rolfe from Johannesburg. After R4m. of tax, R3.8m. of which is deferred, earnings per share are down from 31 cents to 23 cents.

Dunlop Australia fall

Dunlop Australia, the rubber, textiles and industrial products group, suffered a fall of about 22 per cent. in earnings for the December half-year period from SA10.2m. to SA8.0m. ($U.S.9.1m.), James Forth writes from Sydney. The directors said that had the power strike not occurred the result would have been very close to SA10m. The setback came despite a 3.4 per cent. increase in sales, from SA280m. to SA289m. ($U.S.329m.).

The Board has declared an interim dividend of 4c. a share, confirming the indication given last December when plans were announced for a SA23m. return of capital.

Adelaide Steamship

Adelaide Steamship, one of the most aggressive corporate takeover specialists in Australia, boosted earnings 60 per cent., from SA1.74m. to SA2.9m. (U.S.$3.3m.) in the December half year, writes James Forth from Sydney. Excluding profits from the sale of assets, the operating result rose 19 per cent. The interim dividend is raised from 3.5 cents a share to 4.5 cents.

Adelaide Steamship has made seven takeover bids in the past two years. The latest was for importer and merchant Abel Lemon, which is now 97 per cent. owned and expected to make a worthwhile contribution to the full year's results.

General Tire gain

General Tire, whose main shareholders are the U.S. group of the same name and the local company Williams Hunt, has reported a rise in pre-tax profits to R9.6m. ($11.1m.), from R7.9m., writes Richard Rolfe from Johannesburg. Turnover rose from R43m. to R50m. ($57m.). With the tax rate little changed, earnings per share rose from 160c to 212c. The conservative dividend policy which characterises the group has been continued, the total payment for the year being up from 30c to 35c.

Aberdare Cables down

Like other cable companies operating in South Africa, Aberdare Cables, owned 67 per cent by NKF Groep and ultimately controlled by Philips Gloeilampenfabriken, suffered a sharp fall in profits over the year to December 31, with the pre-tax figure down from R8.8m. to R4.7m. ($5.4m.), writes Richard Rolfe from Johannesburg. Aberdare's earnings a share fell from 66c in 1976 to 36c last year, but the dividend was held at 20c.

New S. Korean bank

A new merchant bank, Asian Banking Corporation, opened on Friday in South Korea, writes John Evans.

The Saudi Arabian company, Triad Holding Corporation, headed by Adnan Khashoggi, owns 50 per cent. of the shares. It is described as the first Saudi investment of its type in South Korea.

MEDIUM-TERM LOANS

Better terms for OPEC borrowers

BY FRANCIS GHILES

THREE borrowers from OPEC, the Organisation of Petroleum Exporting Countries, have either completed or are in the process of completing loans on much better terms than they could previously expect to get in the market.

The Indonesian state airline, Garuda is raising $112.5m. for 8½ years on a spread of 1 per cent. throughout. This loan carries no guarantee. Lead manager is Chase Manhattan Asia.

These terms are markedly better than those obtained by the state of Indonesia on the two tranche $575m. loan recently signed. Of this total, $500m. was arranged by a group of banks led by Morgan Guaranty Trust, and the remaining $75m. by a group of Japanese banks led by the Bank of Tokyo. On both tranches of this loan, which carries a sovereign guarantee, the borrower is paying a spread of 1½ per cent. for seven years.

Two Gulf borrowers are raising money on much finer terms than they were able to get a few months ago. On the eight-year $100m loan for which it has just awarded Abu Dhabi Investment Company and the National Bank of Abu Dhabi a joint mandate, the Emirates Telecommunications Corporation (Emirtel) is paying ⅞ per cent. for the first two years rising to ⅞ per cent. for the remainder.

Apart from better terms, this new loan carries no guarantee, whereas the loan contracted last year was guaranteed by Abu Dhabi Investment Company.

Qatar is currently negotiating for a loan understood to amount to $130m. for ten years on a spread of under 1 per cent. Last year, Qatar borrowed $350m. for seven years on a spread of 1 per cent.

Meanwhile, the United Arab Shipping Company is negotiating for its first ever loan: $100m for eight years on a spread also expected to be below 1 per cent.

The $300m. loan for the Foreign Trade Bank of the USSR, Vneshtorgbank, has been increased to $400m. with terms (a spread of ¾ per cent. for seven years with a two-year grace period) otherwise unchanged. Joint lead managers are Lloyds Bank International and Deutsche Bank.

A cars recovery

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

CAR manufacturers throughout the world had a very good year in 1977. This is the message to be gleaned from the registration figures which are now coming through from the major markets. Sales reached record levels in West Germany and France, were only 150,000 short of the U.S. record of 1973, and are now back to the levels being achieved in the early 1970s in Japan.

Total world registration figures for last year are not yet available, but it is clear that production also returned to the growth trend which was interrupted so dramatically four years ago by the oil crisis. Total motor vehicle output, including both cars and commercial vehicles, rose to 41m. units in 1977. This compares with 29m. in 1970, and corresponds to an average growth rate of 4.9 per cent. in the last seven years, against 8.6 per cent. during the 1960s.

The biggest expansion in vehicle production in this seven-year period has been achieved by Japan, which has increased output by 60 per cent., (from 5.3m. to 8.5m.) followed by North America, where it has gone up by 50 per cent. (from 9.5m. to 14.5m.) and the Eastern bloc, where it is up by 114 per cent. (from 1.4m. to 3.0m.).

The large Japanese growth has been chiefly directed at the North American market. But Japanese cars are also making inroads into Western Europe, where they rose by almost another 1 per cent. last year to 6.5 per cent.

The Western Europe figures show how most of the indigenous manufacturing groups rely heavily on their home market. This is particularly true of Fiat, Volkswagen, Renault and British Leyland.

On the other hand, all of these groups, except British Leyland, have been able to attain significant sales in their competitors' home markets. This is where British Leyland is so patently weak. The company's position in the U.K., while much worse to-day than it was a few years ago, is still respectable judged on a general European basis. But it simply does not have sufficient overseas sales to cushion its decline in Britain.

Ford, with its dual manufacturing base in the U.K. and Germany, has probably managed this spread of activity the most effectively of all European manufacturers.

But other European manufacturers are also following the same course of trying to expand their sales in the rest of the Community: Fiat, for example, recently announced a target market share within the EEC outside Italy of 8 per cent.

Sales this year, according to forecasts made at the Geneva Motor Show last week, should be about the same or slightly more than in 1978. They are expected to slacken off in both Western Germany and France, but elsewhere should be firm, and luxury manufacturers like BMW and Mercedes expect their resources to be stretched to the limit.

CAR REGISTRATIONS IN MAJOR MARKETS

WEST GERMANY

	1977 Units	%	1976 Units	%
Volkswagen/Audi	789,979	30.8	663,095	28.7
Opel	490,651	19.2	469,304	20.3
Ford	330,618	12.9	345,611	14.9
Daimler-Benz	220,485	8.6	203,213	8.8
BMW	140,182	5.5	130,090	5.6
Others	9,907	0.4	8,245	0.4
Total domestic	1,981,822	77.4	1,809,640	78.3
Renault	126,436	4.9	123,455	5.3
Fiat	113,231	4.4	108,198	4.7
Peugeot/Citroen	92,981	3.6	82,887	3.6
Chrysler	56,824	2.2	55,731	2.4
Other imports	189,984	7.4	132,156	5.7
Total imported	579,456	22.6	502,427	21.7
Total domestic and imported	2,561,278	100.0	2,312,067	100.0

UNITED STATES

	1977 Units	%	1976 Units	%
General Motors	5,148,131	46.1	4,800,716	47.5
Ford	2,552,210	22.9	2,256,277	22.3
Chrysler	1,219,752	10.9	1,301,940	12.9
American Motors	184,361	1.7	247,640	2.5
Total domestic	9,104,454	81.5	8,606,573	85.2
Toyota	493,048	4.4	346,920	3.4
Datsun	388,378	3.5	270,103	2.7
Volkswagen/Audi	316,454	2.8	249,179	2.5
Honda	223,633	2.0	150,929	1.5
Other imports	678,000	5.7	483,000	4.7
Total imports	2,099,513	18.5	1,500,130	14.8
Total domestic and imported	11,203,967	100.0	10,106,703	100.0

FRANCE

	1977 Units	%	1976 Units	%
Renault	641,081	33.6	603,536	32.5
Peugeot	336,425	17.6	331,434	17.8
Citroen	320,389	16.8	301,202	16.2
Chrysler	180,548	9.5	191,742	10.3
Total domestic	1,478,443	77.5	1,427,914	76.8
Ford	96,782	5.1	78,630	4.2
Fiat	71,073	3.7	74,383	4.0
VW/Audi	61,393	3.2	64,549	3.5
General Motors	41,345	2.2	53,031	2.9
Other imports	157,954	8.3	159,727	8.6
Total imports	428,547	22.5	430,320	23.2
Total	1,906,990	100.0	1,858,234	100.0

JAPAN

	1977 Units	%	1976 Units	%
Toyota	892,501	35.7	898,658	36.7
Nissan	755,420	30.2	741,644	30.2
Mitsubishi	218,014	8.7	184,575	7.5
Toyo Kogyo	176,201	7.0	163,213	6.6
Honda	165,749	6.6	166,960	6.8
Fuji Heavy Ind.	94,653	3.8	104,629	4.3
Daihatsu	67,416	2.7	67,834	2.8
Suzuki	50,771	2.0	51,496	2.1
Isuzu	38,086	1.5	29,196	1.2
Total domestic	2,458,811	98.2	2,448,205	98.2
Volkswagen/Audi	15,785	0.6	15,440	0.6
Ford	6,012	0.3	6,065	0.3
Chevrolet (GM)	5,093	0.2	5,312	0.2
Mercedes	3,341	0.1	2,730	0.1
Other imports	11,590	0.6	11,677	0.6
Total imports	41,821	1.8	41,224	1.8
Total domestic and imported	2,500,632	100.0	2,449,429	100.0

UNITED KINGDOM

	1977 Units	%	1976 Units	%
Ford	340,319	25.7	324,659	25.3
British Leyland	322,067	24.3	352,679	27.4
Vauxhall	120,600	9.1	114,494	8.9
Chrysler	79,730	6.0	82,905	6.5
Total domestic	722,947	54.6	797,683	62.1
Datsun	82,133	6.2	68,853	5.4
Fiat	66,015	5.0	48,595	3.8
Renault	55,862	4.2	43,897	3.4
Other imports	350,609	26.5	269,700	21.0
Total imports	600,577	45.4	487,900	38.0
Total domestic and imported	1,323,524	100.0	1,285,583	100.0

ITALY

	1977 Units	%	1976 Units	%
Fiat group	662,665	55.0	650,875	55.6
Alfa Romeo	79,480	6.6	86,412	7.4
Innocenti	20,472	1.7	15,934	1.4
Total domestic	762,617	63.3	753,221	64.4
Renault	96,339	8.0	92,135	7.9
Peugeot/Citroen	90,318	7.5	84,510	7.2
Ford	71,050	5.9	40,877	3.5
Simca	52,987	4.4	63,143	5.4
Other imports	130,934	10.9	137,015	11.6
Total imports	441,628	36.7	417,680	35.6
Total	1,204,245	100.0	1,170,901	100.0

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE R[ATIOS] AND SPECIAL DEPOSITS

1—Banks	Feb 15, 1978 £m.
Eligible liabilities	
U.K. banks	
London clearing banks	23,789
Scottish clearing banks	2,606
Northern Ireland banks	824
Accepting houses	1,858
Other	6,201
Overseas banks	
American banks	3,812
Japanese banks	236
Other overseas banks	2,689
Consortium banks	210
Total eligible liabilities*	42,224
Reserve assets	
U.K. banks	
London clearing banks	3,069
Scottish clearing banks	348
Northern Ireland banks	115
Accepting houses	336
Other	894
Overseas banks	
American banks	569
Japanese banks	38
Other overseas banks	493
Consortium banks	54
Total reserve assets	5,914
Constitution of total reserve assets	
Balances with Bank of England	380
Money at call:	
Discount market	3,647
Other	233
Tax reserve certificates	—
U.K., Northern Ireland Treasury Bills	721
Other bills:	
Local authority	37
Commercial	695
British Government stocks with one year or less to final maturity	179
Other	—
Total reserve assets	5,914
Ratios %	
U.K. banks	
London clearing banks	12.9
Scottish clearing banks	13.3
Northern Ireland banks	14.0
Accepting houses	18.1
Other	14.4
Overseas banks	
American banks	14.9
Japanese banks	13.3
Other overseas banks	18.3
Consortium banks	25.6
Combined ratio	14.0
N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	324
2—Finance houses	
Eligible liabilities	338
Reserve assets	35.0
Ratio (%)	10.4

Special deposits at February 15 were £1,219m. (up £25[m.]) banks and £10m. (unchanged) for finance houses. * In[terest] bearing eligible liabilities were £26,817m. (up £675m.).

London Clearing Banks' balances

at February 15, 1978

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing-bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1.
AGGREGATE BALANCES

LIABILITIES	Total outstanding £m.	£m.	Change on month £m.	£m.
Sterling deposits:				
U.K. banking sector	4,478		+ 30	
U.K. private sector	24,889		−102	
U.K. public sector	685		− 93	
Overseas residents	2,102		− 36	
Certificates of deposit	2,379		+ 1	
		34,524		−170
of which: Sight		14,213		−152
Time (inc. CD's)		20,320		− 18
Foreign currency deposits:				
U.K. banking sector	3,448		− 8	
Other U.K. residents	908		+ 41	
Overseas residents	10,238		− 26	
Certificates of deposit	1,087		+ 42	
		15,680		+ 26
Total deposits		50,214		−114
Other liabilities*		8,077		− 48
TOTAL LIABILITIES		58,291		−162
ASSETS				
Sterling				
Cash and balances with Bank of England		1,096		+ 4
Market loans:				
Discount market	2,323		+326	
U.K. banks	5,038		− 97	
Certificates of deposit	962		−212	
Local authorities	1,178		+ 27	
Other	522		− 20	
		10,022		+ 24

	Total outstanding £m.	£m.	Change on month £m.	£m.
Bills:				
Treasury bills	181		−431	
Other bills	897		− 28	
		1,077		−470
Special deposits with Bank of England		812		+ 18
Investments:				
British Government stocks	2,099		− 10	
Other	1,097		+ 10	
		3,195		− 1
Advances:				
U.K. private sector	17,653		+244	
U.K. public sector	149		+ 22	
Overseas residents	2,880		+138	
		20,682		+414
Other sterling assets*		4,384		−266
Foreign currencies				
Market loans:				
U.K. banks and discount market	3,108		+ 35	
Certificates of deposit	289		− 25	
Other	6,584		+ 93	
		9,981		+100
Bills		47		− 3
Advances:				
U.K. private sector	1,868		+ 14	
U.K. public sector	1,129		− 16	
Overseas residents	2,785		+ 12	
		5,782		+ 10
Other foreign currency assets*		731		+ 7
TOTAL ASSETS		58,291		−162
Acceptances		289		+ 2

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS BANKS' BALANCES

	TOTAL Outstanding £m.	Change on month £m.	BARCLAYS Outstanding £m.	Change on month £m.	LLOYDS Outstanding £m.	Change on month £m.	MIDLAND Outstanding £m.	Change on month £m.	NATIONAL WESTMINSTER Outstanding £m.	Change on month £m.	WILLIAMS & GLYN'S Outstanding £m.	Change on month £m.
LIABILITIES												
Total deposits	50,214	−114	13,872	− 99	9,368	−110	10,420	+ 87	14,837	+ 13	1,639	+ 1
ASSETS												
Cash and balances with Bank of England	1,096	+ 4	332	+ 30	199	+ 19	234	+ 1	292	+ 4	37	—
Market loans:												
U.K. banks and discount market	10,497	+283	2,876	+ 53	2,357	−106	1,744	+306	2,496	− 1	284	+ 13
Other	9,816	−140	2,526	− 93	2,417	− 24	1,342	− 28	2,697	− 19	334	+ 24
Bills	1,125	−472	260	− 81	120	+ 3	417	−346	305	− 37	22	− 31
Special deposits with Bank of England	812	+ 18	253	+ 8	118	+ 2	178	—	236	+ 6	28	+ 2
British Government stocks	2,099	− 10	490	− 34	433	+ 22	344	+ 27	632	− 12	178	− 12
Advances	26,466	+434	7,347	+135	[illegible]	+ 37	6,837	+138	7,721	+124	392	+ 13

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)

	TOTAL	Change	BARCLAYS	Change	LLOYDS	Change	MIDLAND	Change	NATIONAL WESTMINSTER	Change	WILLIAMS & GLYN'S	Change
Eligible liabilities	23,646	+402	7,347	+ 32	3,491	+ 74	5,733	[illegible]	6,285	+157	[illegible]	− 5
Reserve assets	2,948	−130	938	− 46	440	− 20	731	− 36	830	− 7	118	− 3
Reserve ratio (%)	12.9	− 0.7	12.8	− 0.7	12.6	− 1.1	12.8	− 0.9	13.0	− 0.5	13.3	− 0.2

Managing clerk denies deceit

FINANCIAL TIMES REPORTER

MR. JOHN Michael Goodsell, former managing clerk of Chapman and Rowe, the stockbroking firm which was hammered in 1974, was questioned on the firm's accounts when his trial continued at the Old Bailey yesterday.

He is accused with three former partners, Mr. Alan Harand Mr. Ralph Clarke, 50 of conspiring to defraud clients and furnishing false information to the Stock Exchange about the firm's liquidity margin in late 1973.

The Crown alleges that the firm erroneously informed the Stock Exchange in January 1974 that it had a liquidity margin of £175,721, and that this was based on its balance sheet drawn up with its auditors for September 14, 1973.

But later the firm got into difficulties when it was unable to meet clients' bargains. It was found to have a deficiency of more than £2m. when it was hammered in April 1974.

All the accused deny the charges.

Mr. Goodsell, 35, of Sharpthorne, Sussex, who joined the firm in 1972 after working with its auditors, Keens, Shay, Keens and Company, said he was unaware in late 1973 that "tickets receivable" under partners' share transactions totalling £426,000 had been included in its current assets when they should have been set out separately, and that therefore the balance sheet figures were misleading in some respects under Stock Exchange rules.

"I did not personally examine all the tickets as I had instructed another member of the staff to do so. The auditors seemed to have missed tickets that were both receivable and payable in attribution to partners transactions, but I did not exert any pressure to bring this state of affairs about."

He was equally unaware at the time that a substantial sum for partners "tickets payable" had been included in the balance sheet when they too should have been separately listed.

Mr. Goodsell said instructions to lodge clients' securities with various banks had been given to him by Mr. Harman, and occasionally some other partners. He assumed this was done with clients' permission as the Stock Exchange motto was "My Word is My Bond."

"If I was given an instruction I acted upon it, and I deny that I ever discouraged my fellow employees from approaching the partners if they wanted."

Cross-examined by Mr. Richard du Cann, QC, for Mr. Harman, Mr. Goodsell said he never wavered in his belief that clients had given permission for securities to be lodged with banks. Mr. du Cann said: "I suggest you were hoodwinking the partners and others as well."

Mr. Goodsell denied this, and said he had tried to overcome severe bookkeeping problems which existed when he entered the firm. The case continues to-day.

APPOINTMENTS

Hawker Diesels posts

Mr. Leslie Berry and Dr. Harry Watson have been appointed to the Board of HAWKER SIDDELEY DIESELS. Mr. Berry is managing director of Mirrlees Blackstone (Stamford) and Dr. Watson is managing director of Mirrlees Blackstone (Stockport).

*

Mr. H. P. P. Hodgkins, who becomes the senior deputy chairman of the FISONS GROUP when Mr. A. Robinson retires from the company in May this year, will relinquish chairmanship of the pharmaceutical division. He will act as adviser to the chief executive on international pharmaceutical matters and continue as chairman of Fisons North American companies. He will also have regional responsibility for South America and Japan. Mr. J. Valentine, at present chairman of the scientific equipment and horticulture division, is now a vice-chairman of the group and the new chairman of the pharmaceutical division. Mr. H. J. Blackboro, who heads Fisons Pty Australia, will be moving to the pharmaceutical division as managing director on May 1.

Mr. F. J. Heath, a deputy chairman, has been appointed chairman of the scientific division and retains regional responsibility for Australasia and SE Asia. Mr. J. S. Kerridge takes over the chairmanship of the horticulture division in addition to his positions as chairman of the fertiliser division and responsibility for merchanting and fish farming. Mr. A. C. Allen, who is managing director of the pharmaceutical division, becomes the executive main Board director responsible for Fisons' business in North America. He will be resident in the U.S. from April 1. Mr. B. H. King, president of Fisons U.S. and Canadian companies, will be leaving to take up an appointment outside the group. Mr. D. G. King, now group secretary, will become managing director of Fisons Pty Australia and Mr. E. Cameron will be group secretary, both appointments from May 24.

*

Mr. Laurence Don, managing director of the BEJAM GROUP, has become deputy chairman and joint managing director. Mr. A. William Perry has been made joint managing director and Mr. John M. Edwards joins the Board as finance director.

DE BEERS INDUSTRIAL CORPORATION LIMITED

(Incorporated in the Republic of South Africa)

PROVISIONAL ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 1977 AND NOTICE OF DECLARATION OF DIVIDENDS

The following are unaudited abridged versions of the consolidated financial statements for the year ended 31st December 1977, together with the comparative figures for the year ended 31st December 1976.

CONSOLIDATED INCOME STATEMENT

		1977 R'000		1976 R'000
Dividends, interest and sundry revenue		13 842		10 068
Less: General expenses		126		406
Profit before tax		13 716		9 662
Tax		228		254
Profit after tax		13 488		9 408
Add: Provision against loans written back		—		3
		13 488		9 411
Appropriations:				
Transfer to general reserve	1 000		1 200	
Dividends:				
On preference shares	2 237		110	
On ordinary shares—75 cents per share (1976: 65 cents)	10 313	13 350	8 044	9 354
		(62)		57
Unappropriated profit 31st December 1976		1 359		1 302
Unappropriated profit 31st December 1977		1 297		1 359
Earnings per share		83.9 cents		74.4 cents

The calculation of earnings per share on 13 750 000 ordinary shares in issue is based on earnings of R11 541 000 (1976: R8 694 000), arrived at after deducting preference dividends and allowing for second preference dividends of R1 837 000 (R604 000 for the period 3rd September to 31st December 1976). Earnings per share for 1976 are based on the weighted average of 11 687 500 ordinary shares in issue during that year.

CONSOLIDATED BALANCE SHEET

	1977 R'000	1976 R'000
Issued share capital:		
Preference shares	17 000	17 000
Ordinary shares	27 500	27 500
	44 500	44 500
Non-distributable reserves	18 520	18 520
Distributable reserves	20 997	20 059
Current liabilities	5 841	4 942
	89 858	88 021
Investments:		
Listed	20 792	16 470
Market value R88 431 896 (1976: R40 561 000)		
Unlisted	29 099	33 421
Directors' valuation R79 638 000 (1976: R70 137 000)		
Loans	37 052	37 330
Loan portion of tax	235	479
Current assets	2 680	321
	89 858	88 021

DIVIDENDS

Dividend No. 55 on the Ordinary Shares

Dividend No. 55 of 40 cents per share (1976: 32.5 cents) being the final dividend for the year ended 31st December 1977, has been declared payable to the holders of ordinary shares registered in the books of the Corporation at the close of business on 23rd March 1978. This dividend, together with the interim dividend of 35 cents per share declared on 23rd August 1977, makes a total of 75 cents per share for the year (1976: 65 cents).

Dividend No. 68 on the 5.5 per cent Preference Shares

Dividend No. 68 of 2.75 per cent., equivalent to 5.5 cents per share in respect of the six months ending 31st March 1978, has been declared payable to the holders of 5.5 per cent. preference shares registered in the books of the Corporation at the close of business on 23rd March 1978.

Dividend No. 3 on the 12.25 per cent Cumulative Redeemable Preference Shares

Dividend No. 3 at the rate of 12.25 per cent. per annum, equivalent to 6.125 cents per share in respect of the six months ending 30th April 1978, has been declared payable to the holders of cumulative redeemable preference shares registered in the books of the Corporation at the close of business on 23rd March 1978.

For the purposes of these dividends the share transfer registers and registers of members will be closed from 24th March 1978 to 7th April 1978, both days inclusive.

Warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 27th April 1978. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 18th April 1978 of the rand value of their dividends (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Corporation's transfer offices in Johannesburg or the United Kingdom on or before 23rd March 1978.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Corporation and also at the Corporation's transfer offices in Johannesburg and the United Kingdom.

For and on behalf of the Board
H. F. Oppenheimer }
A. S. Hall } Directors

7th March 1978

Head Office:
38, Stockdale Street,
Kimberley, South Africa

London Secretaries:
Anglo American Corporation of South Africa Limited,
40, Holborn Viaduct,
EC1P 1AJ.

Transfer Secretaries:
Consolidated Share Registrars Limited,
62, Marshall Street, Johannesburg
(P.O. Box 61051, Marshalltown 2107)

Charter Consolidated Limited
P.O. Box 102, Charter House,
Park Street, Ashford,
Kent TN24 8EQ.

APPOINTMENTS

LEGAL NOTICES

In the HIGH COURT OF JUSTICE Chancery Division Companies Court. In the Matters of

No. 00659 of 1978
DANEL MODELS LIMITED

No. 00660 of 1978
R. & S. BURKE LIMITED

No. 00665 of 1978
PENGE PLASTICS LIMITED

No. 00670 of 1978
KEANE & GORE LIMITED

and in the Matter of The Companies Act, 1948

NOTICE IS HEREBY GIVEN that Petitions for the Winding-Up of the above-named Companies by the High Court of Justice were, on the 27th day of February 1978, presented to the said Court by THE COMMISSIONERS OF CUSTOMS AND EXCISE of Kings' Beam House, 39-41, Mark Lane, London EC3R 7HE, and that the said Petitions are directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 10th day of April 1978, and any creditor or contributory of any of the said Companies desirous to support or oppose the making of an Order on any of the said Petitions may appear at the time of hearing in person or by his Counsel for that purpose: and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of any of the said Companies requiring such copy on payment of the regulated charge for the same.

G. F. GLOAK,
King's Beam House,
39-41, Mark Lane,
London EC3R 7HE.
Solicitor for the Petitioners.

NOTE.—Any person who intends to appear on the hearing of any of the said Petitions must serve on, or send by post to the above-named, notice in writing of his intention so to do. The notice must state the name and address of the person, or, if a firm, the name and address of the firm, and must be signed by the person or firm, or his or their Solicitor (if any), and must be served or, if posted, must be sent by post in sufficient time to reach the above-named not later than four o'clock in the afternoon of the 7th day of April 1978.

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Marginally firmer at mid-session

BY OUR WALL STREET CORRESPONDENT

NEW YORK, March 7.

DESPITE UNCERTAINTY over the coal strike situation and a weaker dollar in New York, stocks on Wall Street made a steadier showing this morning in a reasonable business after yesterday's weakness.

The Dow Jones Industrial Average was 1.13 firmer at 743.83 at 1 p.m., while the NYSE All Common Index picked up 8 cents to $48.45 and gains outnumbered losses by a small margin. Trading volume expanded to 13.15m. shares from yesterday's 1 p.m. figure of 11.84m.

Closing prices and market reports were not available for this edition.

Analysts said investors are staying on the sidelines awaiting further developments in the coal strike. President Carter ordered miners back to work yesterday, but early indications are that the order may be defied.

IBM rallied 2¾ to $243½ after previous three-day fall of $10¼.

Gamble-Skogmo advanced 1¾ to $28¾ on news that a private investor has acquired a 3.3 per cent. stake in the company.

Gold Mining stocks, aided by renewed dollar weakness, moved sharply higher, Rosario Resources gaining 2¼ at $20¼, Dome Mines 1½ at $68, and Homestake Mining 1⅞ at $34⅛.

American Telephone, the volume leader, rose ⅛ to $60⅛ on the chairman stating that 1978 will be a year of strong growth.

Tropicana put on ⅜ more to $45, following a jump of $10⅝ yesterday on the planned merger into Beatrice Foods, which were steady at $22⅝.

THE AMERICAN SE Market Value Index recovered 0.29 to 122.85 at 1 p.m. in increased activity. Volume 1.76m. shares (1.32m.).

Houston Oil and Minerals, the leading active, regained 1¾ to $31⅞ after the recent sharp fall on news of a drop in its estimated reserves.

MONDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
General Motors	241,800	56½	−¼
Duke Power	219,700	20	—
Tropicana	189,200	44⅝	+10⅝
Westinghouse Elec.	174,500	17⅞	−¼
IBM	141,000	241	−4
Kennecott Copper	139,300	24½	−¼
Int. Tel. & Tel.	136,800	27⅛	−⅛
Amer. Tel. & Tel.	122,600	59⅞	−⅛
Cooper Labs.	120,600	24½	−1⅛
Marshall Field	114,100	22½	−⅛

OTHER MARKETS

Canada harder

Stocks on Canadian Markets tended to harden in moderate early trading yesterday, the Toronto Composite Index improving 1.7 to 1,017.0 at noon. Golds retrieved 8.7 at 1,337.0, while Metals and Minerals put on 2.8 to 782.6 and Papers 0.41 to 94.92, but Utilities shed 0.40 to 163.20 and Banks 0.23 to 247.98.

PARIS—Stocks gave further ground on investor fears ahead of the first round in the French elections.

However, Ferodo, which earlier announced a higher proposed dividend on lower 1977 profits, made headway, while Redoute, also resisting the downtrend, advanced 21 to Frs.520.

Dumez receded 22.9 to Frs.440.0, Michelin "B" 39 to Frs.1,084, Suez 7.4 to Frs.219.0, and Peugeot-Citroen 5.5 to Frs.277.5.

BRUSSELS—Continuing irregular in thin trading.

Arbed, B.Frs.2,220, and Hoboken, B.Frs.2,250, were each 50 lower, but Societe Generale Banque improved 35 to B.Frs.2,805 and Solvay 20 to B.Frs.2,470.

AMSTERDAM — Mixed movements were again recorded.

Unilever declined Fls.1.50 as the market anticipated lower profits. Among other Internationals, Hoogovens shed Fl.0.90, but Royal Dutch were that much higher.

Banks continued to improve, with ABN rising another Fls.3. In Insurances, Nationale Nederlanden added Fls. 2.20.

Germany—Small fairly widespread losses were interspersed with some good gains.

Volkswagen were heavily traded and advanced DM2.40, while Sud Zucker added DM4 and RWE DM2.

Commerzbank led Banks up to DM2.30 lower, and MAN lost DM2 in easier Engineerings. Schering shed 50 pfennigs after announcing that domestic shareholders will receive a lower 1977 dividend although a higher net return.

Public Bonds were hesitant ahead of the results of the latest tender of medium-term Federal notes, due later in the day. Losses to 35 pfennigs were recorded and Regulating Authorities bought DM12m. nominal of paper, compared with DM5.2m. purchases on Monday. Mark Foreign Loans eased slightly.

SWITZERLAND — Sharply and broadly lower on heavy selling, still undermined by the ban on foreign purchases of Swiss securities and also affected by details of the National Bank's ruling on non-resident subscriptions. Bearer stocks were particularly under pressure.

Swissair fell 30 more to Sw.Frs.785, while Nestle weakened 190 to Sw.Frs.3,200 and Ciba Geigy 85 to Sw.Frs.1,100.

Domestic and Foreign Bonds continued depressed.

MILAN—After Monday's good showing, prices mainly lost ground in slack trading.

Snia Viscosa retreated 29 to L635, Montedison 8 to L157.75, and Pirelli 30 to L2,270, but Mediobanca were 150 harder at L32,900.

SPAIN—Shares were mostly easier where changed, the General Index ending 0.67 down at a new low for the year of 90.33.

JOHANNESBURG—Gold shares drifted easier after an early widespread advance to finish with irregular movements. Higher Bullion indications failed to stem selling on local and Overseas account, which followed reports of a Rhodesian raid into Zambia.

Elsewhere, De Beers shed 10 cents to R5.25 on sporadic selling ahead of the results.

HONG KONG—Stocks closed mixed after a quiet day of consolidation in thin two-way trading.

Hong Kong Bank were steady at $HK17.50. Jardine Matheson shed 10 cents to $HK12.50, but Wheelock put on 3 cents to $HK2.20.

TOKYO—Market mainly picked up, helped by revived interest in export-orientated Electricals and Vehicles following the slight dollar recovery. The Nikkei-Dow Jones Average improved 11.37 to 5,209.24 on volume of 300m. shares (240m.).

Alps Electric rose Y95 to Y875 on "cheap" buying, while Sony added Y20 at Y1,800, TDK Electronics Y60 at Y1,610, and Toyota Motor Y8 at Y900.

AUSTRALIA — Industrials remained trendless, while Minings eased on lower metal prices.

BHP recouped 4 cents to $A5.38 and Dunlop Rubber put on 3 cents more to $A1.32, but News came back 5 cents to $A2.20. Among Sugars, CSR relinquished 6 cents at $A2.64 and Bundaberg lost 10 cents to $A3.20, while BNS Wales slipped a further 6 cents to $A5.06 in otherwise slightly firmer Banks.

Among Mining issues, CRA reacted 8 cents to $A1.88 after the previous days rise of 12 cents. Hamersley receded 7 cents to $A2.08 and BH South 5 cents to 77 cents.

The company's drilling report had little impact on Woodside, just a cent harder at 73 cents.

Indices

NEW YORK—DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

Mar. 6	Mar. 3	Mar. 2	Mar. 1	1977-78 High	1977-78 Low
48.37	48.37	48.38	48.48	57.37 (4/1/77)	48.37 (6/3/78)

Rises and Falls

	Mar. 6	Mar. 3	Mar. 2
Issues traded	1,836	1,820	1,845
Rises	405	734	740
Falls	942	562	578
Unchanged	489	534	518
New Highs	—	35	19
New Lows	—	51	77

MONTREAL

TORONTO

JOHANNESBURG

Gold firmer

Gold rose $2 to $186¼-187¼ yesterday, the highest closing level since December 30, 1974. Trading was described as moderately active, with signs of a general reluctance to sell the metal in the present uncertain conditions.

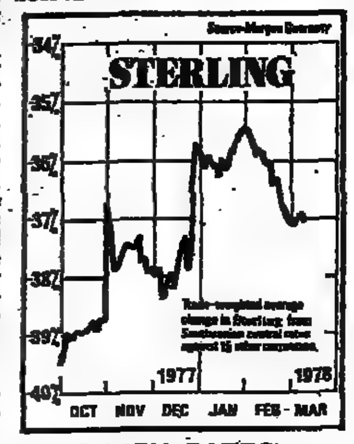
The foreign exchange market was fairly busy, but not hectic. The U.S. dollar was quite firm in the morning, but lost ground as New York began trading, and finished in London fairly close to its lowest levels of the day. No intervention by European central banks was detected by the market, apart from a nominal smoothing operation by the German authorities. The dollar was at a best level of DM2.0370 against the D-mark during the morning, but closed at DM2.0132½, compared with DM2.0280 on Monday. It touched a high point of Sw.Frs.1.9040 in terms of the Swiss franc, before falling to Sw.Frs.1.8660, and closing at Sw.Frs.1.8745, compared with Sw.Frs.1.8775 previously.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty, widened to 5.47 per cent. from 5.41 per cent., while its index, on Bank of England figures, fell to 90.1 from 90.2.

Sterling's trade-weighted index, according to the Bank of England, fell to 65.1 from 65.2, after standing at 65.2 at noon and in early trading.

The pound opened at $1.9365-$1.9375 against the dollar, and fell to $1.9325-1.9335 in the morning. It recovered to $1.9375-1.9385 in the afternoon, and closed at $1.9370-1.9380, a rise of 5 points on the day.

The Canadian dollar was very weak, falling to 88.98½ U.S. cents, the lowest level since before the Second World War.



CURRENCY RATES

	Special Drawing Rights March 6	European Unit of Account March 6
Sterling	0.636022	0.646184
U.S. dollar	1.22737	1.25294
Canadian	1.37539	1.40086
Austria sch.	18.0147	18.3262
Belgian franc	38.8217	39.6305
Danish krone	6.81804	6.96631
Deutschemark	2.49745	2.54567
Dutch guilder	2.67076	2.72400
French franc	5.88892	5.99766
Italian lira	[illegible]	1066.37
Japanese yen	290.273	296.320
Norway krone	6.64189	6.68033
Spain peseta	98.4068	100.178
Swedish krone	5.61424	5.76024
Swiss franc	2.30516	2.35756

EXCHANGE CROSS-RATES

U.S. $ in Toronto U.S. $ = 112.15-18 Canadian cents. Canadian $ in New York=89.16-18 cents. Sterling in Milan 1649.75-1650.75.

EURO-CURRENCY INTEREST RATES

GOLD MARKET

FOREIGN EXCHANGES

OTHER MARKETS

FORWARD RATES

OVERSEAS SHARE INFORMATION

Inv. $ Prem. at $2.60 to £—85¼% (84¼%). Effective rate (at 1.9375) 38% (37¼%)

NEW YORK

CANADA

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.

GERMANY ◆

AMSTERDAM

COPENHAGEN ♣

VIENNA

TOKYO ¶

BRUSSELS/LUXEMBOURG

SWITZERLAND ●

MILAN

AUSTRALIA

PARIS

STOCKHOLM

BRAZIL

OSLO

JOHANNESBURG

SPAIN ♥

Securities Rand $U.S. (Discount of 27.0%)

FINANCIAL TIMES SURVEY

Wednesday March 8 1978

acks ... le ... all

PORTUGAL

Portugal faces serious political and economic problems. But international pressure is forcing the Government to take drastic economic measures demanded by the country's creditors. The political structure, however, remains fragile.

BASIC STATISTICS	
Area	35,383 sq. miles
Population	9.5m.
Trade (1977)	
Imports	Esc.170bn.
Exports	Esc.70bn.
Imports from U.K.	£299m.
Exports to U.K.	£230m.
Currency: Escudo	
	£1=Esc.78.85

obert Graham

BIRTHMARKS of the revolution graffiti still the walls and monuments on. But they have been elaborated and are now worn and faded. From ng crude political aspira- they have been trans- into a curious reminder instant the immediate has become. If the ence of graffiti in 1974 barometer of the pent-up tions and hopes of the lazar era, their less fre- ise now reflects a general ess and suspicion of the that welcomed army ntion, decried fascism and for varying degrees of m and proletarian revolu-

Portuguese have good to be suffering from tion. Since April, 1974, ave witnessed army inter- , near military dictator- lurch towards Marxist ion, then a swingback amentary democracy with ope minority Government nance by the socialist Dr. Mario Soares; and on December 6, 1977, he defeat of the Govern- an uneasy interregnum most two months which ned a presidential ment or a return to mili- ule, but this time from ght. This bewildering con- of events has left its and the squabbling and king that preceded the tion of the new ment, composed for the me of both the Socialists e centre-Right Christian cratic Union (CDS), sug- hat finally there is a mini- ational consensus. This consensus is extremely fragile and is in part involuntary — forced upon the political parties by the increasingly precarious nature of the economy and growing international impatience at the politicians' inability to put the national interest ahead of personal and party rivalry.

For almost six months before the fall of Sr. Soares's Government in a vote of confidence last December, he had appeared to over-estimate his ability to handle Portugal's principal international creditors—the U.S., the IMF and West Germany. His argument consistently was that he could only govern as a minority and if this minority Government fell, then democracy would be once again seriously endangered. This worked well until about mid-1977, but from then on the U.S., in particular, adopted an increasingly hard-nosed attitude, insisting that he tackle Portugal's mounting payments deficit and inflation with deeds, not words.

Pledged

By the beginning of this year Portugal had pledged half its gold reserves, and total foreign exchange reserves (with gold at official IMF prices) covered under 3½ months' imports. Whether or not Portgual's international creditors have been unduly tough in imposing conditions in the granting of financial assistance is still too early to tell.

Certainly, a principal element in settling the Government crisis, and so unblocking credits totalling $800m., has been international pressure.

The new Government contains three CDS Ministers out of 14, with 14 CDS in Parliament. This gives the Socalist-CDS alliance a total of 143 seats, which provides an adequate majority in the 263-seat Parliament. The inclusion of the CDS marks a significant shift since the 1975 leftwards direction of Portuguese politics. The CDS enjoys the support of a sizeable portion of the business community and sees itself in a pragmatic but conservative mould, with an avowed belief in a market economy. To some extent this dilution of socialism has been offset by Sr. Soares persuading a small but politically influential group of intellectuals and professionals, Intervencion Socialista, to come under the wing of the Socialist Party. This group, something like a mixture between the Fabians and the Tribune group in Britain, had previously been regarded as possible interlocutors between the Socialists and the Communist Party.

Disregarding potential differences, this gives on paper a comparatively broad appeal to the Government with aspects to appease both the Left and the Right. In the volatile and glass bowl atmosphere of Portuguese politics, stability is hard to gauge. With the exception of the Communist Party, which holds 41 seats in Parliament, politics still revolve more round personalities than ideologies.

Thus differences can easily be magnified and exploited. Above all else the Government's stability rests on the uncomfortable knowledge that, if it fails, an alternative form of government would be presidential rule by President Eanes—which in essence means relying once again for authority upon the military—or in more extreme form a direct military government. Although the prospect of such eventualities are probably more remote than many Portuguese suspect, the threat that they might happen tends for the time being to shore up the Government.

By the same token the other two main political parties—the Social Democrats (PSD) and the Communists—have no real desire to see the situation destabilised. It is to neither's advantage to have presidential or military rule and the PSD has therefore indicated that it will provide "selective support" for the Government. This is seen by the more cynical as meaning that opposition will be confined to words. The Communists for their part are saying they will adopt a policy of "selectve opposition." In other words they will keep all their options open, but tactically it suits them to keep a lower profile for the time being.

Elements

The other element which is expected to act in the Government's favour is the deteriorating economic situation. Portugal's economic problems are so serious that there are few practical alternatives.

The leftist inspired measures of the early days of the revolution — nationalisation, hefty wage rises, State subsidies and workers' control—have proved to be a luxury which Portugal cannot afford and which no international friend is prepared to support. Therefore opposition to classic "capitalist" remedies as proposed by the IMF has been more muted. For instance, the Communists say they have no objection to Portugal negotiating with the IMF, and then they complain about the stiff terms of cutting credit, pushing up unemployment and lowering the exchange rate. Yet they know that the IMF will inevitably propose conservative measures.

The existence of these constraints has led to a mild and prudent optimism among some that Portugal has now entered upon a necessary period of more pragmatic consolidation when proper attention can be given to restoring the economy to health and preparing for entry into the Common Market. With the ? ? for Portuguese membership ready perhaps by April and the possibility of negotiations beginning by the end of the year, EEC membership is slowly ceasing to be a distant statement of intent but a definite target for stable development. Europe and the U.S. do not want to see Portugal become an isolated Cuba; and politicians on all sides of the spectrum accept this Western posture as a definite stabilising element—regardless of whether it is liked.

The more optimistic envisage that Portugal now has the chance to continue through to the 1980 elections with the same Government. However, the problems ahead should not be minimised. Within the Government there are going to be formidable tensions.

For instance, the CDS in public would like to see the clock put back on a number of the *faits accomplis* of the revolution—in particular, it would like to see a policy of denationalisation, of greater redistribution to former landlords of land taken over by the peasants in the south. Dr. Soares has preferred on the land issue to opt more for a policy of self-management or "autogestion," with the more glaring cases of injustice rectified.

The CDS and the Socialists also differ strongly in their attitude towards the former colonies. Portugal can probably cash in on its former close ties with Angola and Mozambique, but this will be possible only if the sensitive issue of nationalisation is brushed aside. Yet those people with nationalised interests who have returned from the colonies are a large and vocal group. They have so far inhibited any open gesture to the colonies, especially Angola, where they still cherish the hope that the Unita rebels might win through.

Outside the Government, the strength of the PSD and, more important, that of the Communists with their dominant position within the trade union movement, cannot be ignored. Here there are likely to be two sensitive issues: the Government attitude towards "lame duck" industries that have been taken over by workers and the future of agrarian reform. One of the planks of the new Government programme, and an important element in the IMF granting its $50m. loan upon which the much larger international aid package is dependent, is that tighter budgetary discipline be introduced. This includes withdrawal of financial assistance to those concerns which are considered no longer to be viable in economic and social terms. With Communists control of the unions and unemployment at 16 per cent., the political and social implications of rigorously observing such a policy are manifest.

Erode

The Communists cannot countenance such a policy in public, nor do they want to because this threatens to erode one of their vital areas of support. The same applies to agrarian reform in the south, where occupation of land by landless peasants organised by the Communist Party is considered by the Party to be one of the main achievements of the Portuguese revolution. Some argue that Communist strength in Portugal, under its orthodox leader Sr. Alvaro Cunhal, is exaggerated. Yet this is usually stated by people who have a built-in interest in seeing its influence decline. It is safer for the moment to regard it as a powerful influence, but at the same time it is worth underlining that, it is different from its French, Italian or Spanish counterparts not simply because of its rejection of Eurocommunism. It remains essentially a proletarian party without attracting bourgeois intellectuals to its ranks. This tends to make its approach to the present situation more defensive and pedestrian.

Perhaps the greatest constraint on the Communists is their fear of provoking a further shift in the military towards the Right. The re-emergence of the influence of the Right in the military is a significant development. Yet President Eanes's frequently repeated insistence on his—and the military's—acting within the framework of the constitution has allowed the politicians to remain in the centre of the stage. Indeed, the influence of the military probably exists more in the form of their potential ability to intervene rather than their willingness or real ability to do so. Nevertheless Portugal is the one European country where constitutionally the military have the most power.

With a new economic package expected in mid-March and agreement finalised about the same time on the terms that will raise international credits for Portugal, the main indicator to watch will be the behaviour of the trades unions. The continued state of social tension can be gauged by the majority belief that there is as yet no possibility of establishing a three-cornered dialogue between Government, trades unions and management. Despite the absence of such a formal dialogue, the harsh facts of economic life have already resulted in lower than anticipated wage demands and an improvement at the plant level in management-labour relations. Management was severely chastened by the revolution, and if a new realism can now pervade the shop floor, then these tensions could subside.

The task ahead is awesome. But unless everyone begins to bury their differences in the national interest, Portugal will condemned to backwardness, the poorest member of Europe and be obliged to surrender more of its national sovereignty to the demands of its international creditors.

Economy battles for surviva

THE PORTUGUESE economy has in the past two years acquired the dubious distinction of being the most precarious in Europe. Like no other West European government in the post-war period, Portugal has been obliged to resort to selling *and mortgaging gold reserves* as a line of last defence to pay its way. Only half its gold reserves are now free, and total gold and foreign exchange reserves cover 3½ months' imports with the gold valued at official IMF prices. Portugal's international friends argue that remedies have been sought more through words than deeds while among the Portuguese there is a widespread feeling that the international community has given too little attention to the complexities of politics and the inherited structural deficiencies of the Salazar era.

This conceptual gap, principally evidenced by the IMF and American view that the Portuguese can help themselves more than they wished to believe and that the Soares Government has cast itself in the role of hapless *victim of circumstance*, has taken a long time to bridge. Given the urgency of the situation some would say unnecessarily long. Now at last it looks like being bridged. By mid-March a new economic package should have been formulated based upon IMF tough dictates. This in turn will pave the way for activation of a $50m. IMF loan, and more important, the opening up of credit lines provided by 14 western countries worth $747.5m.

The precarious nature of the economy largely relates to the problems thrown up in the wake of the 1974 revolution, where first Marxist principles were attempted and then subsequently interrupted as the Socialist Party sought to impose more democratic and market orientated solutions. As a re*sult of the revolution*, the State acquired 70 per cent. of industry but lost a major slice of the nation's slim managerial cadres. The State acquired control of banking and insurance, but lost the confidence of the private sector, which still accounted for 90 *per cent. of exports*. Workers took over control of many industries in the name of social equality not economic viability, and the large landholdings in southern Portugal were occupied by landless peasants. Wages rose but production declined. Apart from absorbing the impact of the revolution, the economy had to re-adjust very suddenly to the disappearence of its colonies and the increased cost of energy imports.

All this is consigned to history now. But its impact *is still* felt in a number of important ways. Higher wages and the suddent return of some 400,000 persons from the colonies—equivalent to 4 per cent. of the total population — stimulated demand. This has been respon*sible for the seemingly contra*dictory characterist of Portugal experiencing a much higher growth rate than its economic circumstances would appear to permit. In 1977 growth was almost 6 per cent. In turn this has made it more difficult to impose austerity measures, particularly as the Government has felt obliged to offset the social and political consequences of large numbers of "retornados" lying unemployed by seeking to avoid too many dampening measures.

Harsh

The price of this relatively high growth rate has been unavoidably harsh. The balance of trade has declined sharply—the terms of trade have deteriorated 30 per cent. since 1974, Portugal has become a significant net importer of foodstuffs, a factor aggravated by declining agricultural production which has resulted from poor productivity and compounded by a disastrous 1977 harvest. Wheat, a staple product, suffered a 70 per cent. drop in production last year. Foodstuffs now make up 18 per cent. of Portugal's import bill. Moreover the foodstuffs bill rose 46 per cent. in value terms last year. Parallel with this trend, oil imports have added a heavy additional burden, accounting for 17 per cent. if imports. Overall the trade deficit has widened. Eleven month figures for 1977 show imports at Esc.170bn. and exports at Esc.70bn. Provisional trade estimates by the Bank of Portugal forecast a trade deficit of $2.5bn.

The trade imbalance has been reflected in a worsening payments position. The current account deficit is now 24 per cent. of GNP, or $1.5bn. This compares with $1.2bn. in 1976 and the surplus of the pre-revolution days. The situation would have been worse last year had not emigrant remittances almost doubled to $1.1bn. and net tourist receipts improved. In the first ten months net tourist receipts were up 150 per cent. on 1976 to Esc.9bn. *With capital inflows* the overall balance of payments for 1977 closed provisionally with a deficit of $1.2bn.

To cover the deficit Portugal has been obliged to increase sharply its level of external debt *and to draw down on its* gold and foreign exchange reserves. From 1975 through to the end of last year the Bank of Portugal borrowed $1.3bn. abroad. At the end of February 1978 outstanding foreign debt was $4.3bn. If interest is included the amount would total $5bn. Of this 39 per cent. represents indebtedness by the Bank of Portugal, 5 per cent. the Government, 17 per cent. public enterprises guaranteed by the Government and the remainder public and private enterprise with or without Government guarantee. In addition to this mounting foreign debt Portugal's gold has been diminished. Between March 31, 1977, and February 28, 1978, gold reserves fell from 857 tons to 741 tons—and of this only 51.4 per cent. is now "free" gold. During the same period foreign currency reserves fell from $260m. to $111m.

In a blunt warning on Portugal's plight, the new Finance Minister, Sr. Victor Constancio, said three weeks ago that the country had reached a point where it was being strangled by balance of payments problems, creating an alarming dependence upon external financial support. The margins of manoeuvre were becoming increasingly limited, he said. Accordingly the measures being proposed by the IMF are little short of Draconian — a stern tightening of budgetary discipline, a major squeeze on credit, raising of interest rates, further devaluation, and an end to State support for uneconomic entities.

There have been serious differences with the IMF over the scope and scale of these measures. The Portuguese authorities maintained that the IMF package ignored the political and social realities of seeking to introduce such measures. However, now the broad principles have been established and it has become more a question of last minute haggling. Tighter control of money supply will be one of the prime instruments. The Bank of Portugal hopes to persuade the IMF that an average of 15 per cent. increase in credit gauged on a month per month basis is acceptable. Within this margin there will be a high degree of selectivity both in the *sectors* (*priority will be given* to exports, labour intensive industries and agriculture) and towards individual banks. At present for the first quarter of 1978 the Bank of Portugal is permitting an average of 4 per cent. increase over the credit level of July, August, September and October—the four slackest months in 1977.

Tighter credit will be backed up by higher interest rates and discount rate. Here again selectivity will apply, with the emphasis on special premium deductions on credit devoted to exports, import substitution and labour intensive activities. (The Bank of Portugal hopes to convince the IMF to include construction in this category.) The Bank also hopes to mop up excess liquidity by offering more attractive Treasury bills that will be index linked. On the exchange rate side the Portuguese have accepted the principle of further downward adjustments in the escudo. This will be done, the Bank of Portugal hopes, less on the current 1 per cent. per month basis but on a longer average which would still achieve a devaluation of approximately 12 per cent. a year.

On Government expenditure, the IMF has insisted that current outlays be balanced while allowing capital spending to have a small Esc.12bn. deficit. This is to be backed up by tighter control of wages and prices. The net effect of these measures will, it is hoped, reduce growth to 3 per cent., cut inflation to below 20 per cent. and reduce the payments *deficit* of $800m.

Complex

However, success depends on a series of complex and interrelating elements. On the Gov*ernment spending side*, a great deal will depend upon the extent to which Sr. Soares and his ministers are able to carry out an aggressive attitude towards "lame ducks." The Government is pledged to close down those industrial units which cannot justify continuing losses. According to one banker's estimate 90 per cent. of the industrial companies taken over by workers are running at a loss. Their survival until now has depended upon Government guaranteeing outstanding loans. The political problems inherent in a tough market approach to this issue are all too evident. Unemployment is already running at some 16 per cent. and there are political limits to putting workers out of jobs.

Much hinges in this respect on the behaviour of the banks, which though nationalised, still contain the bulk of their original management. It is they who it seems will be given greater authority to decide who should and should not be supported. On the wages side, the general impression so far this year is that workers have preferred to press for very limited increases, fully realising that hefty demands could endanger jobs. The dampening of import demand however, is [...] lematical. Roughly 50 [...] of imports are made u[...] stuffs, oil and capit[...] ment. Small saving[...] made in energy, virtu[...] on capital goods, w[...] stuffs are dependent [...] agricultural sector [...] stabilised, a long-term [...] ation—and upon good [...] which so far this year [...] unfortunately absent.

The $800m. in loan[...] from the U.S. and $2[...] West Germany) is lik[...] vide only temporary [...] its debt service th[...] expected to be $1.7bn [...] tion to this the Bank o[...] has a little publicis[...] roll-over short-term [...] arrangement with the [...] a small country like [...] which has no majo[...] *resources and which* [...] over 30 per cent. of [...] tion employed in a[...] these are formidable [...] to shake off. They a[...] more so when the m[...] ally sensitive area of [...] agriculture. And, [...] none of this takes acc[...] theoretical obligation [...] by nationalisation [...] takeovers.

Until now the [...] have been less than [...] the real plight of th[...] Data has been dis[...] statistical acrobatics [...] *good old-fashioned* [...] of information. The [...] for instance, has been [...] in mystery and no [...] taken the trouble [...] *the country on* the [...] manner in which thi[...] last resort has been [...] down.

Often the problem [...] that the technocr[...] lacked political auth[...] the politicians hav[...] technical knowledge. [...] hope that the new Go[...] has remedied this, a[...] part, by the appoin[...] the former deputy ce[...] Deputy Governor Sr. C[...] as Finance Minister. [...] first figure in such [...] to enjoy internatio[...] domestic confidence [...] revolution. In the l[...] confidence is what Po[...] lacked most in the [...] years, and it is a [...] which it cannot have [...]

Robert C[...]

The armed forces

IN A military academy near Lisbon, where young officers aspire to become generals, one may notice how those attending *classes on Portugal's Nato* commitments have clipped hair and crisp uniforms.

Less than four years ago officers such as these, with their fatigues and beads brought from Africa, talked of revolution and, in some cases, tried to make it.

While civilians in Government stress that the country's priorities lie less in socialism than in a solution to the crippling balance of payments deficit, Portugal's high command is taking firm steps to re-establish the sense of discipline and hierarchy that was temporarily destroyed during the political turmoil that followed April 25, 1974.

Significantly a leading article in last month's issue of "Nacion y Defensa," the military journal, argues that the armed forces should no longer feel an obligation to guarantee the conditions for the country's transition towards socialism, as specified in article 273 of the present constitution.

The man most responsible for putting the Portuguese armed forces back on the way to the barracks is General Ramalho Untonio dos Santos Eanes, President of the Portuguese Republic and Commander in Chief of the Armed Forces.

General Eanes emerged as the *main strategist* behind the defeat of the extreme left-wing military and civilian groups that tried to seize power on November 25, 1975. To-day the loser in that particular battle is Major Otelo Saraiva De Carvalho, currently awaiting trial for his involvement in the events. Stripped of his rank, and prevented from granting formal interviews and making public political statements, "Otelo" emerges only now and again to attend the meetings of a recently formed left-wing movement led by a Marxist intellectual and former Minister of Agriculture, Antonio Lopes Cardoso.

The shifting political balance within the armed forces is clearly reflected within the Council of the Revolution, where a commission composed of military officers and civilian jurists is constitutionally empowered to veto Government legislation. Although the nominal head of the commission is still Major Ernesto Melo Antunes, a theoretical Marxist who passionately believes in democratic socialism, the effective power of the "Melo Antunistas" has been checked in recent months.

Increasingly they have been openly criticised in public by politicians. They are accused of trying to maintain the military in politics, and of plotting behind the scenes against the more detached position adopted by President Eanes. (As yet only one important politician has dared to criticise the President in *public, and his attitude cost him* the leadership of a political party.)

In a sense the campaign waged by the Press and the deputies in the Assembly against the "Melo-Antunistas," reflects the frustration of a civilian population which has to live with a fragile democracy. The mainstream of Portuguese politics during the past four years has been directed not by the political parties but by impetuous army officers.

Significant

The significant points have not been the elections but the coups and counter-coups that have imposed political directions overnight: a military coup on April 25, 1974 toppled the 20th century's oldest fascist regime; an attempted right-wing coup, led by General Antonio Spinola, on March 11, 1975, led to a radical backlash and an attempted left-wing take-over of power *which* included army officers; and this, in turn, led to yet another coup on November 25, 1976, *which, some will argue*, has ultimately led to the conservative alliance in Government which will be negotiating with the International Monetary Fund later this month.

Though it would appear that in Portugal to-day the apolitical *nature of the armed forces is* interdependent with more stable civilian government, the fear of military intervention has not been totally erased.

Ironically, while the country as a whole has been getting poorer, the armed forces have been *getting richer*. The defence budget forecast for the present year shows that total expenditure will be in the region of $475m., an approximate increase of 10 per cent. compared to last year. A considerable part of this money will *undoubtedly be used to bolster* Portugal's membership of Nato. Under President Eanes' leadership, the Portuguese armed forces have regained the confidence of the alliance which, in the heady days of the revolution, was wary of letting *Europe's potential* "Cuba" *into* too many secrets.

Jimmy Burns

PORTUGAL III

Difficult time for industry

[..]TH ITS eyes firmly set on [..]tugal's entry into the Euro[..]n Economic Community, the [..]ntry's second constitutional [..]ernment is taking steps to [..]re and strengthen [..]tuguese industry, still the [..]kest in Europe. For, as the [..]ernment recognised in its [..]gramme passed by parlia[..]tary majority last month, [..]tugal's industrial sector [..]ains insufficiently financed [..] poorly structured. Though [..] country's transforming [..]ustries (which contribute 33 [..] cent. to the gross national [..]duct, engages nearly 30 per [..]t. of the population and con[..]utes nearly 32 per cent. to [..] gross fixed capital forma[..]) experienced a 7.6 per cent. [..]rease in production during [..]7, compared to the previous [..]r, this did not affect [..]tugal's overriding depen[..]ce on imported materials.

[..]he problems of Portuguese [..]ustry bear the imprint of [..] failings of the political [..]tem which ruled the country [..]l the military coup on April [..] 1974, and the anarchy that [..]lowed that event.

[..]he system handed [..]rtuguese industry over to the [..]nopolies, discouraged small, [..]dium, or regional develop[..]nt, and allowed itself to [..]ome utterly dependent on an [..]pire.

Meanwhile, within Portugal, [..] rule of the whip insured [..]ustrial peace. Unions could [..]ly exist if they remained [..]hin the limits defined by the [..]porate state: industrial pro[..]t would invariably lead to [..]prisonment, and in some [..]ses, torture. In the last years [..] the dictatorship, foreign [..]estment (in the form of tight [..]ks formed between foreign [..]npanies and the small power[..] group of families in charge [..] Portugal's monopolies) con[..]buted to an appearance of [..]nomic stability. An appear[..]ce that evaporated once [..]nditions in Portuguese Africa [..]t out of hand, and the world [..]ergy crisis hit Portugal.

In a sense, it was inevitable [..]at the political pendulum [..]uld swing the other way. [..]hen the dictatorship fell, it [..]s the turn of private enter[..]ise and foreign investment to [..] the victims. Nationalisations [..]ained the private sector; take[..]ers without compensation [..]ared off foreign capital; and [..] unions, adopted by the [..]mmunist Party, went all out for industrial power. Meanwhile managers and technicians packed their bags and took themselves and their skills abroad.

Three years later, the political pendulum is gradually swinging back towards the centre, and a new sense of balance is in the process of being established in Portuguese industry.

Last summer, two important bills regulating industrial relations were passed in Parliament in an attempt to stifle the kind of industrial anarchy which had led to a slump in productivity in 1975.

Although workers would continue to receive information on company matters, they would be excluded from decisions made by management concerning investment. The right to strike would remain but not the right to demand strike wages.

Frontiers

Further legislation passed by parliamentary majority defined the frontiers between the public and private sectors, stressing that private enterprise was legally entitled to operate freely in certain areas. It would be barred, however, from major sectors including mining, cement and other raw materials, public transport and public utilities, postal and telephone services.

The latest government programme carries at least the promise of further stimulus for the private sector, which it recognises as the true "motor" of the Portuguese economy. (The private sector accounts for over 85 per cent. of Portuguese exports.) Yet despite the government's intentions of ironing out the previous imbalances both in structure and financing in both the private and public sectors, it recognises that given the deflationary nature of its economic programme, the industrial prospects in the short term are severely restricted.

One of the great "survivors" of Portuguese industry remains Lisnave, the large ship-repairing yard on the Tagus Estuary which accounts for 5 per cent. of the country's total export earnings and, with a work force of nearly 9,000, is among the most important employers in the country.

Since its official inauguration in 1967, the yard has gradually expanded, profiting from its good geographical position and the advent of the big tankers. To-day, Lisnave has the largest shiprepairing facilities in the world.

In 1975, at the height of the Communist push for power, Lisnave suffered two major strikes in an attempt by workers to destroy the private management of the yard. Productivity slumped.

Yet, despite its political problems and the general world crisis in the shipping industry, Lisnave has managed surprisingly well. Since 1974 over 1,730 ships from all over the world have docked at the yard to be either repaired or converted. The minimum profit achieved last year was due not to lack of productivity but to the wages and benefits bill which is among the highest in the country. In more than one sense Lisnave represents a test case for Portuguese industry. Workers at the yard remain dominated by the Communist-controlled Confederation of Portuguese Workers (Intersindical).

Management remains part foreign (40 per cent. Dutch and Swedish shares) part private, and part public. Lately there have been occasional stoppages at the yard, mainly provoked by the inclusion of Christian Democrats (CDS) in the new Government, whom the workers define as left-overs from the days of Salazar. Differences have arisen between foreign and Portuguese interests at the yard concerning future strategy. There is considerable concern, for example, that the Arab Ship Repair Yard (ASRY) which Portuguese expertise helped complete in Bahrain last year, may in the long run prove more of a curse than a blessing in terms of competition.

The huge industrial complex at Sines on the border of the Southern Alentejo has like Lisnave been earmarked for Government attention in the months ahead. Its deep-water port located on vital shipping routes (due to be opened in the summer), an oil refinery, and a ten-unit petrochemical complex owned by CNP, the State-owned Portuguese petrochemical company, makes Sines potentially Portuguese industry's most important link with the rest of the world. As one industrial has remarked "Sines has trained a lot of people in thinking big," and that, in a country like Portugal, renowned for its industrial underdevelopment, is no mean feat in itself.

Sines, however, like Lisanve, has its problems. Not least of these is the refinery, devised in an era of cheap oil, and now struggling to justify its existence. Petrogal, the State-owned oil company which is in charge of it, hopes to make the best out of a slightly embarrassing job by selling petrol by-products to the United States and reopening links with some of its former African colonies. It nevertheless admits that to cut costs the refinery may be restricted to only 60 per cent. production. Earlier this month Sines received a psychological blow when one of the concrete structures built to protect the port was shattered by rough seas. But despite accusations that Sines may be Portugal's "white elephant," it is generally accepted that the complex is there to stay and could be made to work to Portugal's advantage with some careful planning.

Defined

The construction of new petrochemical units at Sines have been defined as among the "priorities" for future investment in the new Government programme.

The textile industry, which represents 20 per cent. of the total value of Portugal's transforming industries, and which is the country's major exports source, is also in line for a boost from the Government. Until now the industry has felt undercapitalised: large firms have been trying to fend off labour troubles; small firms have been struggling to keep up production. The importance of the industry to Portugal was reflected in the recent complaint lodged in Brussels by Dr. Victor Constancio, the country's Minister of Finance and Chief EEC negotiator, against the attitude of some countries in the Community which want to see increased quotas on the import of Portuguese textiles.

The industry is already considerably affected by the high costs represented by the imports of machinery, dyes, and raw materials. Clearly, while enterprises like Lisnave and Sines are expected to ride the storm which will follow the Government's next austerity package, many small companies are going to feel left out of the "selective" credit promised by the Government through the banks, and will face bankruptcy.

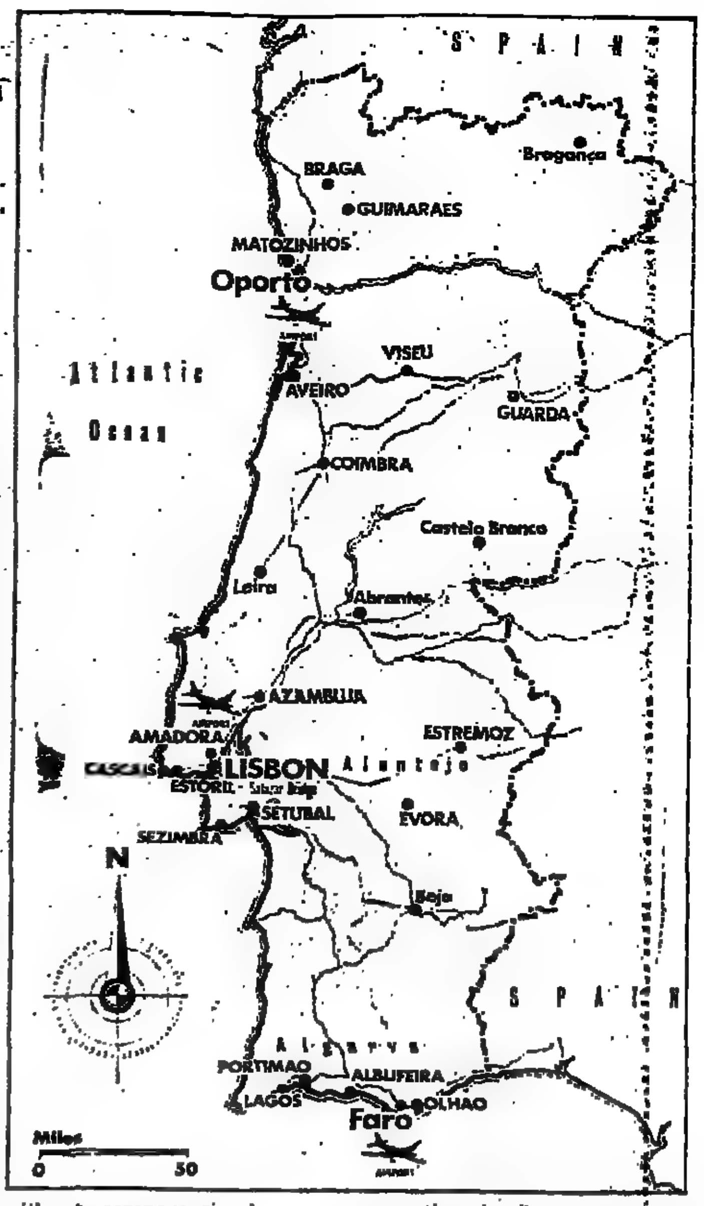
Because of it industrial relations will be severely tested. The Confederation of Portuguese Industry (CIP), which represents over 35,000 small and medium-sized private companies, still claims that the private sector will be discriminated against as long as all the banks are nationalised.

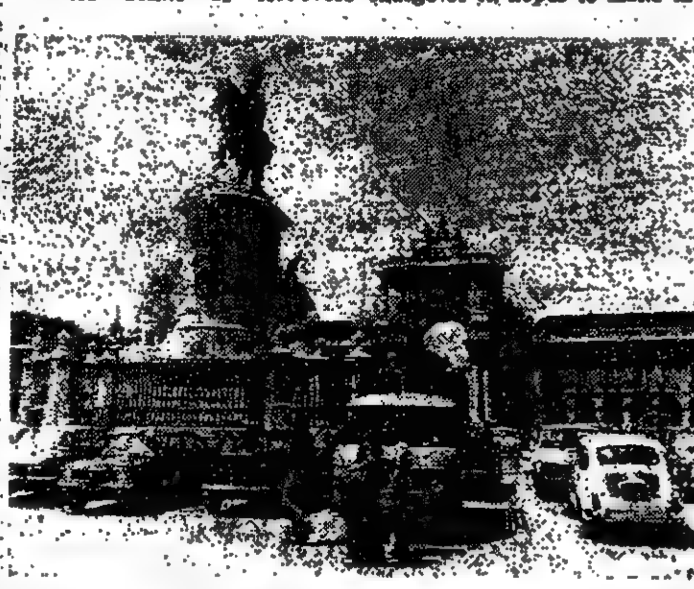
The Confederation of Portuguese Workers (Intersindical), Communist dominated and claiming to control around 80 per cent. of Portuguese labour, complains that the private sector, far from being victimised, is being given a privileged position in the Government's plans. Nationalisations, which Intersindical sees as its legitimate revolutionary conquest, are threatened by the return of big capital, particularly foreign. (The Government hopes to attract foreign investment by indemnifying the firms which were taken over without compensation.)

While CIP still feels apprehensive about sitting at the same table as the Communists, Intersindical has shown that it can adopt moderation. At its general congress in January it voted against a national strike before March 15, the day the budget is announced—a fact explained by some observers as a sign that the Communists may not have the total control of labour that they claim.

The strengthening of Portugal's industry depends on the ability of unions and management to fully realise the gravity of the country's economic crisis, and to temporarily bury their differences.

Jimmy Burns





Black Horse Square in Lisbon.

Recovery in tourism

PORTUGAL'S TOURIST authorities could afford to be jubilant in 1977. Travellers and travel agencies alike recovered from their two-year bout of suspicion of the country's internal politics and flocked again to the beaches of the Algarve and the Costa del Sol on Lisbon's outskirts.

The more adventurous penetrated the highlands, plains and valleys of the interior, marvelling at the rural north with its tiny farms and vineyards, or the boulder-strewn mountain-sides of the north-east.

The State-owned *pousadas*—wayside inns comparable to Spain's *paradores*—turned away thousands of car-driving travellers, since most of them only have 12 to 20 rooms.

Lisbon's streets, hotels and restaurants became cosmopolitan again, with waiters serving EEC travellers or grappling with Japanese visitors—a welcome change from rooms of empty tables of the previous year.

The figures are eloquent: in 1977, 3m. foreigners entered Portugal (compared with 2.2m. in 1976). According to figures supplied by the State directorate-general of tourism, 1.5m. of these were tourists (compared with 958,000 in 1976), an increase of 40.4 per cent. in general entries and 47.1 per cent. in tourist entries. Nights spent in hotels increased by 62.2 per cent. to 6m. in 1977 compared with 3.7m. in 1976.

Gross tourism revenue—needed so desperately to counteract the $1.3bn. balance of payments deficit—rose by 60 per cent. from $256m. in 1976 to $410m. in 1977. Net tourism revenue totalled $279m.—a 94.1 per cent. increase over 1976.

After a period of confusion Government and private enterprise are now working to boost Portugal's tourist infra-structure. Hotel capacity is now 100,000 beds. Plans have been approved for additions of 12,000 beds in the near future, and plans for another 5,000 are in the pipeline. The 100,000 places available in Portugal's 70 officially-recognised camping sites are due to be increased by 66,000: this is of particular interest to Spanish and French tourists, who prefer to come by car with their families and camp out.

After the near-collapse of the tourist building industry, three years ago, seven new hotels are being built in the Algarve. Moreover, a sure sign of Portugal's new attractions for entrepreneurs, the tourist authorities have confirmed that Arab interests have bought up a luxury hotel in Sesimbra, a fishing town and resort south of Lisbon.

Unquestionably the Algarve, where year-round temperatures are a few degrees higher than temperate Lisbon and considerably higher than the chilly northern countries from which the bulk of non-Spanish tourists come, is Portugal's tourist magnet.

Facilities

The authorities have always been careful to prevent the ruin of countryside and atmosphere that took place in Spain's coastal areas by controlling both the height and density of tourist building. Thus, the sea is still visible and accessible, and fishing villages are still just that—working parts of the community generally unspoiled by incursions of totally tourist-orientated commerce or overbuilding. The hotel, villa and apartment developments sprawl, in some cases with strikingly imaginative architecture, towards the hinterland and the hills, where farmers still tend citrus groves.

The area still needs more restaurants and evening entertainment facilities, but the authorities and local businessmen seem to have finally realised this and learned that excellent beaches and walks or drives along the coast are not enough for holidaymakers.

The Algarve was packed out during the February carnival weekend and is fully booked for the spring and summer seasons.

The authorities came under heavy international fire last year for not controlling gross overbooking—which lost the Algarve many potential clients as package tour flights had to be diverted to other destinations.

This year, Portugal's national airline, TAP—a company with a sound safety record, has started its first advertising campaign in several years. Despite its chronic unpunctuality, the airline cannot be faulted for friendliness, serious attempts to avoid the plastic-type food often served in the air and—a bonus to oenophiles—generous supplies of free wine.

Diana Smith

Farmers need greater support

FOR DAYS now it has been raining in Portugal. A fierce Atlantic storm has moved in from the coastline, bringing floods to towns, villages and fields. A grim reminder of the incessant rainfall last summer which wrecked crops and caused the worst harvest in over 40 years.

Agriculture's dependence on weather is reflected in last year's production figures which, in the key areas such as wheat and olives, fell disastrously, putting further pressure on the country's food bill. They say here that before meeting the International Monetary Fund, the Government should first negotiate with the rain god.

Wheat production in 1977 fell by 72 per cent., olives by 53 per cent., and grapes by 47 per cent. compared to the previous year. Portugal's trade deficit was seriously affected by the country's inability to feed itself and by its consequent increased dependence on imports of foodstuffs. By the end of last December. Portugal had been forced to import nearly $50m. of wheat, a 60 per cent. increase from the previous year.

Under the U.S. AID programme, Portugal received $50m. in credit to buy agricultural produce from abroad, an indication that the country could not only not feed itself but could not afford to pay for others to feed it.

The housewife, in particular, has suffered from the poor performance in agriculture. Food costs officially rose by about 52 per cent. in 1977 compared with 1976, though a recent breakdown of essential commodities revealed that the price of particular items like chick peas, beef and dairy products increased by nearly 70 per cent.

The rain gods cannot be held solely to blame for the desperate state of Portugal's agricultural sector. Agrarian reform remains unresolved and this is the biggest single issue affecting the direction of Portugal's agriculture. Not only has the issue complicated the technical aspects of increasing production, but it is still potentially the most explosive factor in Portuguese politics. Until agrarian reform is successfully resolved there can be no real change in the performance of the agricultural sector.

The problem dates back to the Communist push for power in the summer of 1975, when land-hungry peasants, frustrated by the insecurity of seasonal labour and the absenteeism of the big landowners who directed their property from their beach houses in Estoril, were encouraged to take over indiscriminately land in the Alentejo region of southern Portugal. Though the Communists insisted that the expropriation of over 2m. acres of land was a legitimate "revolutionary conquest," the political fervour left unresolved the complex tangle of ownership rights.

Last summer the Government showed for the first time that it was prepared to set right the Communist excesses, regardless of the political consequences.

The minority Socialist Government's Land Reform Review Bill, conceived by the (then) Minister of Agriculture, Sr. Antonio Barreto, was passed safely through Parliament, having defined the amount of land that a private farmer could legally retain in the southern and central grain belt.

Under the Barreto law, land was to be assessed on a complex points system that would take into account quality as well as quantity. Farmers would be able legally to reclaim land up to a total of 70,000 points. If the productive capacity of the land was low this would mean as much as 1,250 acres. If it was high it would mean as little as 600 acres.

In effect the Government had given its seal of approval to the break up of some of the collectives and the restoration of estates to some of their original owners.

In a sense, the Barreto law represented a conscious political move by a Government determined to cut into a region of asserted Communist power. But behind it lay a considerable dose of economic commonsense.

At best, the Barreto law, which since its propagation by the President, General Ramalho Eanes, has led to the handing back of hundreds of acres of expropriated land, is the first Government-inspired effort to present a coherent project directed towards technical improvements. At worst it has created considerable political tension. The peasants fear that a return to private farming will result in a cut back of Government credits to the collectives and increased unemployment.

When the first effects of the Barreto law began to be felt at the end of September last year, angry peasants clashed with the Republican Guard that had come to the estates to enforce government orders.

Bombs wrecked six Government farm policy offices in Lisbon in the worst expression of political frustration since before the revolution. Sr. Barreto himself received daily death threats. Government hesitance to-day over proceeding further with the Barreto law (severely criticised by the Right) is influenced by this background, which in one critical month threatened to upset Portugal's hitherto surprisingly peaceful transition from dictatorship to democracy.

There is political tension, too, in the agricultural sector north of the Tagus, which in stark contrast to the south is characterised by thousands of small farms, which are in urgent need of restructuring. Politically the region is characterised by the overriding influence of the Right and the Church.

Representatives of the thousands of smallholders (and also a handful of once powerful Latifundistas) is the Confederation of Portuguese Farmers (CAP). CAP would like to see the majority of the small farms turned into private collectives in order to provide more central planning.

But the significance of the CAP lies less perhaps in their specific economic demands than in the political power that they represent.

In 1975 CAP, which claims to represent 70,000 farmers, resorted to street action in an extremist counterpoint to the Communists, setting up road blocks, interrupting railways and later threatening to cut off food supplies unless the Government announced firm action to hand back expropriated land.

To-day, suspicions remain that the CAP, like their avowed enemies the Communists, may use the question of land as an excuse to further their dangerous political ends.

Earlier this month, a rival confederation to the CAP was formed in the north. The importance of the new Confederation of Small Farmers is that it is openly Communist-inspired and has the backing of a radical local bishop. The involvement of the Left and the progressive Church in an area of Portugal until now clearly defined as conservative promises to create more tension still.

Significantly, in Portugal's second constitutional Government which was sworn into office just over a month ago, the new Minister of Agriculture and Fisheries, Sr. Luis Saias, is a little-known lawyer who has never featured prominently in politics. Although his technical knowhow is thought to be more in fisheries than in agriculture, Mr. Saias hopes as an "independent" to steer agrarian reform away from partisan passions. One of his predecessors, Sr. Antonio Lopes Cardoso, a Marxist intellectual, broke away from the Government and the Socialist Party in 1976, and now leads a radical Left-wing movement with links in the unions and the military. Sr. Antonio Barreto is known to have been strongly in favour of a Presidential solution to the political crisis that followed the collapse of the minority Socialist Government in December. A fact that did not endear him to Prime Minister Mario Soares and, some say, lost him his job.

Mr. Saias has already publicly declared that, on the land question he has no time for political extremes of either Left or Right, and that he is only open to dialogue: Left and Right suspect him. Nevertheless he still reflects his Government' ing that the economic p in agriculture are too and that partisan politi tudes must be defused interest of the whole co

The government wants the European Economi munity, and that in itsel the solution of Po agricultural problems ev pressing.

Ironically, it could be that Portugal's present si as a substantial impo agricultural produce, it as less of a potenti mercial rival within th munity than Spain, for e Wine, fruit and vegetal not exported in large quantities to represent to Italian and French pr though the same may not for Portugal's tomato trate, which has always strong export.

A more charitable view Portugal needs to streng agricultural sector, as industry, so that it ca something to offer th munity in the future.

The question that ren whether the peasants south, still inspired by munist Party avowdly to Portugal's entry in Common Market, will p give up their "revolu gains," simply becaus ministers in Brussels wo them to.

The banks regain their influence

IN THE uncertain atmosphere that hovers over the Portuguese economy, the banking system is being called upon to play an increasingly crucial role. Moreover this is a role that is bound to enlarge when the Government's package of economic measures is announced later this month. Monetary instruments are a key element in the Government policy which will herald increased austerity, primarily by imposing tighter credit restrictions and more selective credit controls. The bankers already believe that the Government is giving them greater authority and discretion in the administration of credit, the bankers in the nationalised banking system playing a rather ambiguous role of both civil servant and market-orientated businessmen.

This is a very different story from three years ago. Then the banking system was caught up in the struggle for political power, being one of the most obvious examples of the accumulation of monopolistic control under the old Salazar regime. The commercial banks had developed into powerful empires that had substantial equity portfolios representing the dozen or so major groups of financial power in Portugal which controlled 51 per cent. of fixed capital and some 60 per cent. of industrial activity. It was not surprising, therefore, that in the Communist push for power the 20 banks and finance houses were nationalised. Only the handful of foreign banks and small agricultural credit institutions remained untouched.

Urged on by the Communist Party and the far Left, bank clerks occupied Board rooms and inspected bank accounts. Bank deposits, it was said, would henceforth be used by the state for "the benefit of the people." This meant sustaining employment by propping up small businesses which since the April 1974 coup had found themselves in increasing financial difficulties. The ultimate aim may have been to use the banks to stimulate productive investment. However, credit was primarily used to finance current cash needs that had been forced sharply upwards by wage increases and large pay agreements. Traditional banking discipline was dropped, and replaced by the needs of the revolution.

With banks rapidly moving towards what appeared to be a Soviet-style State capitalism, depositors rushed to withdraw their savings. This was only averted by a change in the country's political direction in November 1975 when the extreme-Left civilian and military groups, keen on further consolidation of the revolution, were eased out after an attempted coup. This change of political direction has led to a remarkable turnround in the state of the banking system. The powerful hold of the Communists over bank employees has been loosened and now the bank union employees are represented by a PSD (Social Democrat) candidate. In turn management left largely untouched by the revolution, has been allowed to reassert a more traditional role.

This has created in some respects a curious situation. Managements are now trying to run the nationalised banks competitively with one eye still very much on the fate of the former owners and shareholders. Profits, which are now being made, are ploughed back or put into reserves. The idea that the Government or State should be paid any dividend has been resisted on the grounds that if dividends are paid then indemnity should be paid first. Indemnity for bank nationalisation is likely to be settled sometime this year, perhaps in the form of bonds. In the meantime the banks at least have an incentive to operate.

As a result of the revolution in 1974 there has been a rationalisation within the banking system. The number of commercial banks has been cut from 17 in 1974 to 10. However, the rationalisation has not always been in the name of efficiency. Banks have found themselves obliged to employ extra staff from among those returning from the colonies, and this is a problem which cannot be easily resolved. This problem has increased overheads. However, the banks have been able to ride this out because despite many external appearances the economy has been expanding quite fast, 6 per cent. last year, and with a good deal of liquidity. Sight deposits, for instance, last October were up 29 per cent. on the same period last year and for the year as a whole Banco Portugues do Atlantico, the most important commercial bank, witnessed a 30 per cent. increase in deposits, according to provisional figures.

One of the most notable developments in the banking system during the past two years has been the increasing powers of the Bank of Portugal which has now virtually acquired the functions of a central bank. The support which the ban khas been forced to give the flagging Portuguese economy, has effectively made it the nerve centre of the whole system.

Secured

To-day its links with the Government have been secured with the appointment of Dr. Vitor Constancio as the new Minister of Finance and Planning. Dr. Constancio was, until this year, vice-governor of the Bank of Portugal and alone in the Government he retains the important position of having a foot in two camps. This has been particularly important in Portugal's present negotiations with the International Monetary Fund which will determine the credit policies that should be adopted by the banks. The IMF is insisting that the Bank of Portugal influences a much stronger control over the money supply, "selecting" economically viable areas of industry and agriculture.

Most Portuguese bankers agree that despite the guidelines laid down by the Bank of Portugal, they will still be left to compete with each other, much as they would if they were still in private hands. In the case of financing foreign trade the individual banks are still free to go to the markets that they wish. Moreover although the Bank of Portugal decides on the general credit policy, credit ceilings are determined on a per bank basis.

The Confederation of Portuguese Industry (CIP) which represents over 35,000 private companies continues to insist that as long as all the banks are nationalised the economy, in so far as it is represented by the private sector, will not progress.

Yet among most of the major Portuguese commercial banks there has been a growing acceptance in recent months of the economic viability of considerable areas of private industry and these will be in line for stimulus in the coming period of austerity.

The banking system reflects the sense of political balance which the new Government of alliance between Socialists and Christian Democrats (CDS) swears by. Meanwhile bank clerks prepare to vote their new union representatives at the end of this month, in a campaign so quiet and unobtrusive that it would seem that the Communists have conceded defeat for the second year running.

J.B.

FARMING AND RAW MATERIALS

...ets puzzle ...ver source ... anthrax

...our Commodities Staff

...S.T.R.Y. of Agriculture ...ary surgeons are in the ...about the source of an ...ak of the fatal animal ..., anthrax, which is sweep... ...itain's farms.

...e first two months of the ...here have been almost as ... deaths from the disease as ... were in the whole of last ...

...o and including last week ...armers had reported 114 ... since the beginning of the ...

... but one of the dead ...ls were cattle. A pig was ... dead in January.

...t of the cases have been ... in the western part of ...d and Wales in the ...s with the greatest con...tion of livestock. Only ...itbreak has been reported ... in Scotland.

...istry vets have been ...ted to investigate ...ghly every individual case ...ld to pin down a common ...inator which may give a ...o the main source of the ...e.

...ever, the Ministry admitted ...day: "We are no closer ...ing the cause than we were ... beginning of the year."

... month reports of deaths ... coming in at the rate of ...r five a day. This appears ...slackening to one a day.

... far there have been no ...s of anthrax infection in ...s, and there has been no ...tion of earlier incidents ... farmers and knackers, not ...ting the cause of death, ...d or cut into the carcasses ...ected stock.

... usual source of anthrax ... or spores is imported

Seven against Silkin in fight to keep Milk Boards

BY MARGARET VAN HATTEM

BRUSSELS, March 7.

INITIAL REACTION from the EEC Council of Ministers to-day on proposals to retain the British Milk Marketing Boards indicates a hard battle ahead for Mr. John Silkin, the Agriculture Minister.

Though Mr. Silkin emerged from the meeting in an optimistic mood, claiming the opposition from other members was not nearly as strong as he had expected, other delegations do not appear to share his view.

Ireland, the only member state with a higher per capita liquid milk consumption than Britain, supports the British argument that the Marketing Board system promotes liquid milk consumption and that its presentation would help level the Common Market's ever-increasing dairy surplus.

But it has strong reservations about the ability to maintain fair competitive conditions for dairy products under the present U.K. milk marketing system.

Some other member states, particularly the Netherlands, resent what they see as yet another British attempt to bend the rules, which they have accepted by dismantling their own similar marketing organisation.

The Dutch are supported by the Danes and the West Germans, who are determined to weaken the monopoly control of the Marketing Boards over the U.K. market in the hope of increasing access for their own dairy products.

They also plan to attack the Board's control over milk prices since the premium on liquid milk on the British market results in lower prices for butter and cheese, imported as well as domestic.

The view of the French delegation is ambiguous. It is suggested they might welcome a precedent to be set that could be applied to wine marketing.

The Commission's proposals for the retention of the Boards require that a Board should have existed for at least five years, and should maintain the support of at least 80 per cent. of local producers in order to continue operating.

The British regard 80 per cent. as "ludicrously high" and will fight hard to bring the figure down.

Mr. Silkin said after to-day's meeting: "We may be in for a fight, but it probably won't be the tough fight I had expected.

"The response seems to have been rather mild. Besides, we are going into the farm price review with a very small shopping list, so we are in quite a strong position."

Pigmeat plan revived

MR. FINN GUNDELACH, the EEC Agriculture Commissioner, has temporarily silenced French demands for a reduction in the monetary compensatory amounts (MCAs) on pigmeat with a promise to reactivate proposals, first presented more than a year ago.

But the issue, on which Britain and Italy strongly support France, threatens to erupt into a major row during the annual farm price review next month, writes Margaret van Hattem.

Pigmeat MCAs are based on 85 per cent. of the Common Market's theoretical intervention price.

Mr. Gundelach will propose that it be cut to 70 per cent. while the French are demanding a reduction to 50 per cent.

The British and the Italians are pressing for a far more radical change.

Opposition is expected to come mainly from Denmark, supported by West Germany and possibly the Netherlands and Belgium.

European sugar area to rise

By Our Commodities Staff

European sugar beet plantings are expected to rise next year mainly because of a sharp rise forecast for Eastern Europe, says sugar statistician F. O. Licht.

In his first estimate of 1978/1979 European beet plantings Licht puts the total of 7,911,000 hectares compared with 7,837,000 in 1977/78.

The total for Eastern Europe is estimated to rise 112,000 hectares to 5,339,000 while the Western European area is expected to fall by 38,000 to 2,572,000.

The EEC total is put at 1,752,000 hectares, down 51,000, mainly because of a planned 48,000 hectare cut in French plantings due to quota restrictions.

Licht estimates French 1978/1979 plantings at 527,000 hectares against 575,000 in 1977/78.

Sugar prices on the world market fell to the lowest level for several months yesterday with the London daily raws price slipping £2.5 to £101.5 a tonne.

Traders blamed the fall mainly on lower physical offtake and short-term prospects of further sugar sales by India.

India recently announced that 650,000 tonnes of sugar would be permitted to be exported to help sugar mills reduce stocks and improve profitability.

Bid to lift nickel market

By Our Commodities Staff

IN AN APPARENT attempt to restore some confidence into the nickel market Le Nickel, the U.S. trading subsidiary of Societe Le Nickel, said it was raising the price of the metal contained in ferronickel from $2.00 to $2.04 a pound, effective from April 1.

Quoted prices of ferronickel products are being raised for the second quarter.

Le Nickel said the rise was in line with the present value of iron scrap and "the progressive return to a more normal nickel market."

Industry sources pointed out that the rises followed some reductions announced recently by International Nickel which it was feared might start a new price war after the recent period of stability.

Demand for nickel in the U.S. has shown slight signs of movement but surplus stocks remain large and producers are anxious to pevent aresumption of fierce price-cutting.

ZAMBIAN COPPER

Caught between devil and deep blue sea

BY MICHAEL HOLMAN, LUSAKA CORRESPONDENT

"WE'RE CAUGHT between the devil and the deep blue sea," said a senior government official, discussing Zambia's dilemma: the acknowledged need for a copper production cut despite an acute shortage of foreign exchange, of which copper provides 95 per cent.

There is little further information here on last week's decision by Zambia, Peru and Zaire to cut production by 15 per cent. Kingsley Chinkuli, Mines Minister, has confirmed the decision and said he has instructed the two 51 per cent. state owned mines, Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Mines (RCM), to implement it.

Industry sources say that this year's production will be reduced by 15 per cent. of last year's 650-660,000 tonnes—the country's lowest annual output total for ten years.

If implemented it will be a drastic drop, for in 1976 the mines estimated that 1977 production would be 715,000 tonnes, and 724,000 tonnes this year.

The move comes against a background of severe financial difficulties in the industry, which in turn has led to Zambia's gravest economic crisis since independence in 1964.

Production costs are claimed to exceed £710 a tonne, and the price in the last quarter last year was only £660 a tonne.

At present prices the mines consume two-thirds of the foreign exchange they earn.

Between them RCM and NCCM have been forced into short-term borrowings of over £114m. from the Bank of Zambia.

Some mining sources believe that 5,000 redundancies out of a work force of 59,000 should accompany closure of certain unprofitable divisions.

That assessment was made before the decision to cut production. Yet the same sources report that government remains determined to avoid lay-offs, because general and presidential elections are due later this year, and the copperbelt miners are a powerful, well-unionised group.

Nor is it certain that all unionists appreciate the gravity of the situation, and just what a cut means. Declaring his opposition to redundancies, Fredrick Chiluba, Zambia Congress of Trade Unions' chairman, advised: "The mines could continue with their present production rate and only put down the number of tonnes of copper released for sale on the world market."

The companies face other difficulties. Accompanying a steady fall in the grade of reserves is a fall in the productivity of labour—tonnes of ore hoisted per manshrift fell from 2.25 in 1969 to 1.99 in 1975.

At the same time, the price slump has meant that spending on new developments has had to be restrained. One indicator of the companies' difficulties is the rise in long and short term indebtedness from £57.5m. in 1971 to £283m. in mid-1975, says the World Bank report on Zambia published last October.

The bank noted: "The companies, which had originally expected to finance capital expenditure up to two-thirds through retained earnings, apparently found that they had to borrow abroad just to maintain their operations."

Much of the new and existing debt will fall due for repayment by 1980, and the bank warns that debt service payments will divert a "substantial" amount away from "pressing capital investment requirements — at least in the short run."

Another major problem is morale among the 4,000 expatriates on the mines whose skills are vital. The official shortfall is about 1,000 though the mines management would be satisfied if it could be reduced by half.

But a serious rise in crime, particularly armed robberies in which two expatriates have been killed this year, a 20-25 per cent. inflation rate; a shortage of various commodities and general uncertainty about conditions in southern Africa makes it unlikely that the shortage will ease.

New lows in coffee market

BY RICHARD MOONEY

COFFEE PRICES fell to new 18-month lows on the London futures market yesterday in response to further falls in New York.

May delivery coffee slipped to £1,385 a tonne at one stage be-fore closing £42.5 down on balance at £1,404.5 a tonne.

New York prices, which are being progressively under-cut by Brazil's "special deals," were down overnight leading to an initial fall of £30 in London. When the New York market re-opened prices fell again putting London quotations under further pressure.

In New York, meanwhile, the Gordon Paton company reported that U.S. green coffee roasting between January 1 and February 25 totalled 2,975,000 bags (60 kilos each) compared with 3,555,000 bags through to February 26 last year.

Roastings in the week ended February 25 were 14.8 per cent. down on the same period last year.

Colombian coffee exporters are disappointed with sales despite a new sales policy initiated in mid-February, reports Reuter.

Before a meeting yesterday with the Coffee Confederation they emphasised that the slow pace of sales does not mean that no sales have been made.

At least one U.S. roaster is believed to have signed a long term contract with the Federation.

Some traders speculated that the exporters planned to request changes in the country's sales policy, in particular a lowering of the minimum registration price.

Colombia initiated a new sales policy on February 17 which is tied to the difference between the International Coffee Organisation price for Colombians and that of other milds plus two cents over ten days.

Depending on that difference, buyers will earn "rebates" in coffee on their purchases. The offer also contains a 60-day price guarantee.

The present minimum registration price in Colombia is around $2.07 a lb., f.o.b., traders said.

That registration price tends to discourage exporters from lowering their offering prices to roasters, traders said.

April shipment coffee was being offered at $1.70 a lb.

They said that exporters are reluctant to buy coffee from the interior of Colombia because the Federation is paying prices over $2 a lb.

By lowering the minimum registration price, Colombia would encourage exporters to cut their prices, thus putting downward pressure on the Colombian ICO indicator price, dealers said.

Roaster buyers would thus get the immediate benefit of the lower prices in dollars saved, rather than being forced to wait and receive the benefit later in coffee because of a wide difference between the ICO indicator prices for Colombians and other milds.

...olybdenum ...ice rise

...our Commodities Staff

... RISES of about 10 per ...in molybdenum products ...announced in Greenwich, ...cticut, by Climax Moly...m, a division of Amax.

...omolybdenum for domestic ... the U.S. goes up to $5.51 ...und of contained moly...m, which is equivalent to ... kilo.

...compares with the present ...s free market price of ... $15 a kilo and the rise ... Climax quotation was ...ed as being long overdue.

...ybdenum is mainly used in ...nufacture of tool and other ... "hard" steels used for ...es amongst other products.

Rhodesia attack boosts market

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER PRICES advanced on the London Metal Exchange yesterday following the news of an air and ground attack on Zambia by Rhodesian forces.

Cash wirebars closed £7.75 up at £630.75 a tonne, wiping out Monday's losses.

Earlier the market had opened on a higher note boosted by reports of Zambia facing critical transport difficulties holding up copper exports and imports needed by the mines.

It is expected that Zambia will be forced to declare a partial force majeure on its contracted supply commitments, especially in view of the recent decision to cut its output by 15 per cent. as a means of reducing the huge surplu of supplies currently depressing world market prices.

In the past the London market would have reacted much more violently to the threat of fighting near the Zambian copperbelt.

But by the end of the afternoon it was felt that the Rhodesian attack was basically a border incident aimed at guerillas based in Zambia and is unlikely to escalate any further.

However, the transport problems appear to be worsening.

Reuter reported from Lusaka that 90,000 tonnes of imports have piled up at Dar es Salaam port and copper exports are delayed in the Tanzanian capital.

The import backlog has risen from some 70,000 tonnes last November despite government efforts to ease it, shipping agents said.

The holdup has been caused by a shortage of wagons on the Chinese-built Tazara railway running from Zambia to Dar es Salaam, which handles 90 per cent. of Zambia trade, and a shortage of road vehicles.

Over half of Tazara's 1,200-plus wagons are believed to be under repair and the turnaround of wagons is said to be taking 30 days—twice the planned time.

Some 15 per cent. of Zambia railways' locomotives are at a standstill because of shortages of heavy lubricating oil.

Haswell Mwale, Transport Minister, said last week that of 115 wagons sent to Dar only 71 had been offloaded.

The road fleet between Zambia and Tanzania has been run down in anticipation of Tazara's prominence as a trade route and is anyhow hampered by shortages of spare parts.

...MMODITY MARKET REPORTS AND PRICES

...SE METALS

...R—Higher in active trading on ...don Metal Exchange. Forward ... to £639 on the early pre... following reports of transport dif... in Zambia. This trend continued ... of a Rhodesian incursion into ... prompted further buying which ... [illegible]

COFFEE

Robustas slipped lower in heavy trade selling and new lows recorded before support came into market late in afternoon. Rally at close and final values [illegible]

GRAINS

SILVER

COCOA

JUTE

COTTON

SOYABEAN MEAL

After steady opening, market gradually drifted lower on long liquidation. Lower Chicago prices and stoploss selling drove prices to lows of day where market closed. SNW Commodities reports.

SUGAR

RUBBER

WOOL FUTURES

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 49.0 to 53.0; Ulster hindquarters 60.0 to 63.0, forequarters 36.0 to 41.0; Eire hindquarters 60.0 to 63.0, forequarters 38.0 to 40.0.

Lamb: English small 36.0 to 37.0, medium 30.0 to 34.0, heavy 42.0 to 44.0; [illegible]

Capsicums—Kenya: Per pound 0.25; Malawi: 0.25; Cuban: 0.18. Peaches—S. African: 21/24s 2.40-2.50. Grapes—S. African: Ben Hannah 6.00, Alphonse Lavallee 6.50, Waltham Cross 8.00. Onions—Spanish: 2.20-2.40; Dutch: 1.30; Polish: 1.20-1.50. Strawberries—Californian: Approx. 12 oz per punnet 0.90; Israeli: Approx. 8 oz 0.60. Lettuce—Dutch: 24s 2.50; French: 12s 1.40. Pineapples—Ivory Coast: 0.35-0.90 each.

English produce: Potatoes—Per 56-lb: Whites/Reds 1.50-1.70. Lettuce—Per 12 Indoor 1.20-1.40. Cabbages—Per ½-bag Primo 0.60. Beetroot—Per 28-lb 0.20. Carrots—Per bag 28-lb 0.40-0.60. Onions—Per 56-lb 0.80-1.30. Swedes—Per bag. Yorkshire 0.40. Devon 0.50. Apples—Per pound. Cox's 0.12-0.22. Bramley's 0.11-0.15. Spartans 0.12. Pears—Per pound. Conference 0.12-0.18. Sprouts—Per 28-lb 0.70-0.80. Turnips—Per 28-lb Per pound 0.05-0.06. Parsnips—Per 28-lb 0.70-0.80. Turnips—Per 28-lb 0.70. Rhubarb—Per pound 0.34. Cucumbers—Per tray 12/22s 2.60-3.40. Mushrooms—Per pound 0.30-0.55.

Philippine copra

MANILA, March 7.

PHILIPPINE copra exports rose to 45,248 tons worth $15.34m. last month from 36,820 tons in January and 45,473 tons in February last year.

Philippine Coconut Authority statistics show crude coconut oil exports fell to 55,208 tons from 71,700 tons and 53,439 tons.

Reuter

PRICE CHANGES

Prices per tonne unless otherwise stated.

	Mar. 7 1978	+ or —	Month ago
[illegible]	[illegible]	[illegible]	£660
[illegible]	[illegible]	[illegible]	$960-70
[illegible]	[illegible]	[illegible]	£625.5
[illegible]	[illegible]	[illegible]	£638.25
[illegible]	[illegible]	[illegible]	£615.75
[illegible]	[illegible]	[illegible]	£628.25

FINANCIAL TIMES

REUTER'S

DOW JONES

MOODY'S

U.S. Markets

Coal crisis lifts gold and silver

NEW YORK, March 6.

PRECIOUS METALS rallied on speculative buying prompted by concern over the coalminers' reaction to President Carter's move to invoke the Taft-Hartley Act in a bid to end the pit strike. Cocoa closed strong on Commission House stop-loss buying, following London. Sugar eased on tired long liquidation and trade hedge-selling. Coffee eased on Commission House selling and notable lack of physical business, Bache reported.

Cocoa—March 157.75 (152.25), May 146.40 (141.25), July 143.00, Sept. 139.00, Dec. 134.00, March 132.00, May 130.15, July 128.30. Sales: 773 lots.

Coffee—"C" Contract: March 169.00-170.00 (165.75), May 149.25-149.75 (151.56), July 134.25, Sept. 129.00-130.00, Dec. 115.00, March 115.50-116.25, May 114.00-114.50, July 114.00-116.00. Sales: 675 lots.

Copper—March 56.20 (56.50), April 56.50 (56.50), May 57.00, July 58.00, Sept. 59.00, [illegible]

...OMPANY NOTICES

TRIO KENWOOD CORPORATION (FORMERLY TRIO ELECTRONICS INC.)

[illegible]

STOCK EXCHANGE REPORT

Firm tone late on better-than-expected bank figures

Company announcements enliven interest in quiet business

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb. 27	Mar. 9	Mar. 10	Mar. 21
Mar. 13	Mar. 30	Mar. 31	Apr. 11
Apr. 3	Apr. 13	Apr. 14	Apr. 25

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Stock markets were responding in yesterday's late trade to the latest banking figures. These, while showing a further rise in banks' eligible liabilities, gave less cause for concern than had been feared about the probable growth of money supply.

Long-dated British Funds were up to ½ better in the inter-office trade after having been only ¼ harder at the official close, while shorter maturities were also hardening late. Leading equities fared similarly, and a 3 p.m. index fall of 1.3 was transformed into a net rise o fthat amount at the close of 444.1.

Equities had moved narrowly and indecisively earlier and hopes that the late overnight technical rally in the leaders would be extended or would broaden into second-line issues were fulfilled only to the latter extent. The level of business remained disappointing, while potential buyers were given no encouragement by Unilever producing a set of figures which continued the recent string of uninspiring profits from leading companies.

Official markings totalled 4,529 against 4,177 on Monday and 4,793 on Tuesday of last week, the better tone was illustrated by rises outnumbering falls, by 9-to-4, for the overall first time in five business days, and by the FT-Actuaries indices which showed widespread gains averaging one half of one per cent. Life Insurances were prominently better, sentiment being helped by Legal and General's early success in unit assurance, while Hire Purchases stood out with the help of encouraging results from Provident Financial.

Gilts rise late

Announcement of the latest U.K. banking sector's eligible liabilities aroused considerable late interest in British Funds. This was concentrated on the longer maturities, where the tap is still short of the Government broker's last operative level, and inter-office business was fairly hectic with the revived demand lifting high-coupon issues ⅛ further for overall gains on the day of ½. Relief that the rise in eligible liabilities was only 1.4 per cent., against some pessimistic forecasts ranging to 2.0 per cent., also spilled over to the shorts which extended their gains on occasions to ¼, although these were mainly in the less marketable low-coupon stocks. Earlier, the session had begun firmly but the improvement was gradually eroded awaiting the banking statistics. Corporations edged forward ½ in places, but first reports of the Rhodesia border conflict lowered Southern Rhodesian bonds; after reacting to £61, the 2½ per cent. 1965/70 issue closed a net two points down at £63.

Trading at around 84½ per cent. for much of the day, the investment currency premium moved higher late to 85¼ per cent. in a relatively small volume of business before easing to close a net ⅛ up at 85¼ per cent. Yesterday's SE conversion factor was 0.7270 (0.7289).

Home Banks firm

The volume of business in the major clearing Banks improved and trend was higher from the start. Barclays closed 5 dearer at 315p as were Lloyds at 255p; the latest bank lending figures made no impact of late sentiment. Elsewhere, Standard Chartered recorded a gain of 8 at 393p and, among merchant banks, Guinness Peat revived with an improvement of 7 to 195p. In Hire Purchases, Provident Financial rose 3 to 89p in response to the higher annual earnings.

Reports that the group's venture into unit assurance had already realised more than £3m. in funds since its commencement last October helped Legal and General improve 4 to 156p. Other Life issues made ground with Prudential a like amount better at 146p and Hambro Life 3 harder at 270p. A firm market of late following excellent results, Sedgwick Forbes returned to prominence at 257p, up 12.

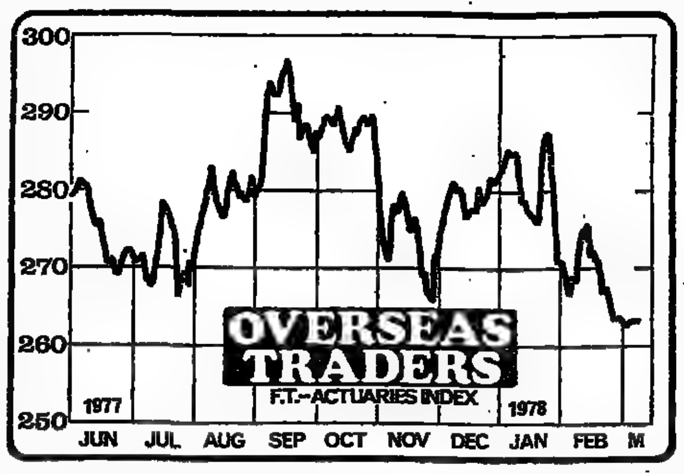
Breweries moved narrowly in a quieter trade. Bass Charrington finished unchanged at 141p, after 142p, while Young Brewery A hardened 2 to 150p and Boddingtons 4 to a 1977-78 high of 146p. Among Distillers, A. Bell rose 4 to 204p and Macallan Glenlivet 5 to 275p.

Having remained on the sidelines the previous day through the Institute of Marketing's bearish forecast of sluggish construction output over the next ten years, buyers ventured in for selected Buildings which closed with a firmer bias. Tarmac added 3 at 127p and similar improvements were recorded in Redland, 128p, and Tilbury Contracting, 236p. Richard Costain gained 4 to 214p and Higgs and Hill 2 dearer at 74p. Still reflecting a Press report that an Arabian concern had acquired a 12 per cent. stake and could be planni. a full-scale offer, Fairclough Construction moved up a penny more to 63p. British Dredging gained 2 to 28p: RMC has increased its holding in the company to just over 27 per cent. Buyers showed renewed interest in Federated Land and Building which put on 2 to a 1977-78 peak of 42p; the preliminary results are due next Tuesday.

Fisons moved against a quietly firm trend in Chemicals, falling 11 to 346p on bearish to comment related to the annual results. ICI closed 3 better at 338p, while Blagden and Noakes, in reply to the higher earnings, hardened 2 to 214p.

BSR dip and rally

Electrical leaders traded within narrow limits ad final quotations were little altered. GEC ended a pennyi better at 247p and Thorn Electrical a few pence higher at 340p. while EMI finshed unchanged at 146p, after 148p. Elsewhere, BSR fell away to 86p on disappointment with the annual results before recovering to close without alteration at 90p, the rally being helped by the



encouraging tenor of the statement on current prospects. MK Electric were supported at 143p, up 6, while Racal firmed 4 to 207p following a broker's circular. Muirhead firmed 3 to 160p and Newman Industries 1½ to 69p. Cray Electronics, 19p, were noteworthy in smaller-priced issues for a gain of 2. H. Wigfall closed 2 cheaper at 196p, news of the increased offer, worth nearly 273p a share, from Comet Radiovision came well after market hours.

Quietly firm conditions prevailed in Stores. Largely reflecting business transacted late the previous day, Mothercare closed with an above-average gain of 6 at 158p, Burton A added 2 at 101p as did Gussies A at 262p, while Marks and Spencer picked up from 140p to finish a penny dearer on the day at 142p. Awaiting to-day's annual figures, F. W. Woolworth held steady at 62½p. Elsewhere, Mail-Orders took a modest turn for the better with Freemans, 256p, and Grattan, 117p, 2 and 3 higher respectively. W. L. Pawson edged forward a penny to 28p in front of to-day's preliminary results.

The Engineering leaders rarely strayed from the overnight closing levels. John Brown eased to 270p before settling at 272p for a fall of 2 on the day, while Tubes opened a little firmer at 378p, but drifted back to finish without alteration at 374p. Secondary issues fared little better in the way of activity. Occasional demand left Braithwaite 3 firmer at 132p and Rotork a similar amount up at 107p. Warne Wright, the subject of recent favourable press mention, put on 1½ to 41p, while gains of around 2 were recorded in Capper Neill, 58p, Burgess Products, 32p, and Wombwell, 20p. Blakey's Malleable Castings hardened a penny to 48p, which is in line with the revised offer from Centreway Securities.

J. Bibby continued to figure prominently in Foods, improving 4 more to 195p on the better-than-expected preliminary figures. Associated Dairies moved up 6 to 212p on revived investment demand, while J. Sainsbury, 163p, and Utd. Biscuits, 48p, put on a penny apiece. Avana were active and fractionally better at 32p. Brooke Bond, however, closed a shade easier at 43½p following adverse Press mention. Supermarkets adopted no set course; Lennons picked up a penny at 28p, while gains of 5 were seen in Hillards, 180p, and William Morrison, 178p. Tesco, however, eased the turn to 38p: the company announced that a large block of shares had been placed at around this level. Modest losses were recorded in Wheatsheaf Distribution, 124p, and Kwik Save, 76p.

Hotels and Caterers had Trust Houses Forte 3 up at 169p reflecting the optimistic tenor of the full report. Rowton hardened 2 to 140p and Myddleton 3 to 193p, but a Press report suggesting that the company may be liable for further tax payments on its Cashcade venture clipped 2 from Ladbroke at 170p.

Unilever resilient

Miscellaneous Industrial leaders plotted an irregular course in thin trading. Unilever touched 476p in reaction to the fourth-quarter profits which came at the lower range of market estimates, but rallied late to finish unchanged at the overnight level of 482p; the NV closed ¼ lower at £23¼ after £23½. Glaxo moved between extremes of 527p and 520p before ending unaltered at 523p, while Beecham gained 5 at 592p and improvements of around 3 were seen in Pilkington, 428p, Reed International, 116p, and Trafalgar House, 133p. BOC International hardened 1½ to 67½p. Elsewhere, Sandhurst Marketing rose 3 to 28p in response to the better-than-expected first-half profits and Staffordshire Potteries hardened 2 to 134p, also after an encouraging interim performance. National Carbonising revived with a gain of 3 to 47p and Hoskins and Horton, on bid hopes, put on 4 to 147p. ICL added 8 to 214p and De La Rue 5 to 240p. IC Gas remained friendless at 310p, down 5. Dealings are expected to be resumed to-day in William Press at around 21p after Monday's suspension, at 17p, which followed news that tax investigators had launched a countrywide search of the company's offices.

Volvo were unusually prominent in Motors and Distributors, falling 50 to 987p on a report that the recent sales performance has been substantially lower than last year. Other issues were better where changed. Lex Services, which reports preliminary figures tomorrow, hardened a penny to 66½p, while Godfrey Davis, 79p, and Hartwells, 77p, put on 3 and 4 respectively.

Inveresk shed an early gain of a penny to close that amount off at 66p following the disappointing annual results.

Properties traded quietly, but the trend was to slightly higher levels. Bellway issues remained the speculative attraction, fresh demand lifting the Ordinary 4 more to 64p and the Capital shares a like amount to 63p. A similar type of business was noted in County and District, which improved 4 to 78p. Daejan edged up 2½ to 71p, while rises of nearly the same amount were recorded in B. Sunley, 188p, Second City, 39½p, and Great Portland, 298p. Among the leaders, MEPC closed without alteration at 116p, but Land Securities managed an improvement of 2 to 207p.

Oil Exp. sold

British Petroleum traded quietly at around 726p before settling at 724p, a fe wpence easier on the day, but Shell hardened 2 further to 495p in front of to-morrow's annual results Among North Sea issues, Oil Exploration improved to 194p initially, but reacted on selling which accompanied various adverse rumours to close at 182p for a fall of 10 on the day. By way of contrast, buyers showed interest in Lasmo, up 4 at 138p, and the "OPS," which recovered 9 to 298p.

Interest in Overseas Traders was again directed to Lonrho, which lost 2 more to 68p on reports of the Rhodesia/Zambia border incident, which cancelled out the effects of the chairman's optimistic statement at the annual meeting.

Business in Investment Trusts was mainy confined to occasiona small public sales. Bridgewater eased ½ to 6½p, while Camellia Investments, 198p, and Jos Holdings, 41½p, shed 2 apiece. London Australia Investment, at 124p, held the previous day's rise of 9 which followed the agreed bid terms from Australian Statutory Funds. In Financials, interest developed in Edinburgh Industrial, 1½ harder at 15p and Majedie Investments, 2 better at a 1977-78 peak of 37p. R. Kitchen Taylor however, eased a penny to 35p despite the substantial trading recovery.

Shippings seldom moved far from the overnight levels, P and O Deferred cosed without alteration at 97p, but Manchester Liners fell 10 to 220p in a restricted market.

British Enkalon edged forward a penny to 11p in Textiles where Courtaulds closed 2 harder at 112p and Radley Fashions 3 better at 49p. RKT, however, finished a penny easier at 69p following the preliminary figures.

In Rubbers, Consolidated Plantations provided the only movement of any consequence with a rise of 3 to 107p, after 109p, in reflection of firmer Far Eastern advices.

De Beers move ahead

De Beers moved ahead strongly in the after-hours trade to close 11 better on balance at 322p following heavy and persistent U.S. buying in front of the sharply increased profits and higher dividend.

South African Golds also came in for U.S. support in the after-hours business, reflecting the further $2 improvement in the bullion price to $186.875 per ounce—a two-day gain of $3 and its highest closing level since December 30, 1974.

Initially Golds had registered fractional gains as modest Cape interest was followed by lack of interest from local sources. But the subsequent American buying was sufficient to lift the Gold Mines index by a further 1.8 to 165.0.

Heavyweights continued to attract most of the attention with Free State Geduld outstanding with a £1¼ rise to a 1977-78 high of £17½, while other stocks to register new highs included Randfontein and Western Holdings, which were both better at £35½ and £18¾ respectively.

Among the medium-priced issues President Brand put on 33 to 990p and Winkelhaak closed 20 up at a high of 745p. On the other hand the marginal West Rand Consolidated were 7 off at 135p.

South African Financials were quietly firm, reflecting the strength of both gold and gold shares. Gold Fields of South Africa advanced a half-point more to a 1977-78 high of £12¼, while General Mining closed ¼ higher at £15¼. UC Investments hardened another 3 to 228p, after 230p, but Union Corporation were unaltered at 280p in front of the 1977 results which are expected to-day.

Reports of the Rhodesian incursion into Zambia prompted sharp falls in Rhodesians but losses owed more to jobbers marking down prices than to any weight of selling pressure. Falcon Mines dropped 13 to 193p. Mang 40p and Rhodesian Cor and Wankie Colliery both 3 to 20p and 36p respect

In Australians, uranium forward following the st by the Australian Deput Minister that more uraniu will have to be brought I duction. Pancontinental to 800p and Peko-Wallse dened to 440p.

FINANCIAL TIMES STOCK INDICE

—	Mar. 7	Mar. 6	Mar. 3	Mar. 2	Mar. 1	Feb. 28
Government Secs.	74.89	74.80	74.46	74.44	74.52	74.41
Fixed Interest	77.58	77.27	77.17	77.42	77.46	77.61
Industrial Ordinary	444.1	442.8	436.2	433.4	443.8	445.4
Gold Mines	165.0	163.2	168.9	162.6	163.1	158.9
Ord. Div. Yield	6.09	6.10	6.17	6.19	6.06	6.06
Earnings Y'ld % (full)*	17.90	17.93	18.38	18.44	18.03	18.02
P/E Ratio (net) (*†)	7.84	7.82	7.64	7.62	7.79	7.79
Dealings marked	4,529	4,177	4,374	4,592	4,284	4,793
Equity turnover £m.	—	46.30	57.77	63.05	62.81	60.06
Equity bargains total	—	11,098	9,943	12,845	11,490	14,602

10 a.m. 444.8. 11 a.m. 442.6. Noon 441.8. 1 p.m. 442.8. 2 p.m. 442.3. 3 p.m. 441.5.

Latest Index 01-246 8026.

* Based on 52 per cent. corporation tax. † Nil=7.73.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

—	1977/78 High	1977/78 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	79.85 (30/9)	60.45 (4/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1/78)	60.49 (4/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	549.2 (14/9)	357.6 (12/1)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	174.5 (18/10)	95.1 (1/2)	442.3 (22/5/75)	43.5 (26/10/71)

S.E. ACTI

	Mar. 7
—Daily	
Gilt-Edged	175.5
Industries	144.3
Speculative	45.6
Totals	103.1
5-day Average	
Gilt-Edged	162.1
Industries	143.4
Speculative	41.5
Totals	99.9

NEW HIGHS AND LOWS FOR 1977

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1977-78.

NEW HIGHS (26)

BEERS (2)
Ellis (Richmond)

BUILDINGS (1)
Federated Land

ENGINEERING (3)
Cooper (F.) Blakey's
Tace

INDUSTRIALS (5)
Amal. Metal Kennedy Smale
Hoskins & Horton Sandhurst Marketing
Hyman (I. & J.)

NEWSPAPERS (1)
Websters Publications

PROPERTY (2)
Anston Bellway

TEXTILES (1)
Sekers Intl.

TRUSTS (2)
Govett European Majedie Invs.

MINES (8)
Randfontein Estates F. S. Geduld
ERGO Welkom
Winkelhaak W. Holdings
Southvaal Gold Fields S.A.

CANADIANS (1)
Inco

INDUSTRIALS (1)
Imp. Cont. Gas

MINES (1)
B. H. South

NEW LOWS (5)

AMERICANS (2)
Barnes Group Chrysler

Rises and F yesterday

	Up
British Funds	56
Corpns. Dom. and Foreign Bonds	16
Industrials	401
Financial and Prop.	151
Oils	7
Plantation	1
Mines	37
Recent Issues	11
Totals	678

OPTIONS TRADED

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 7	Mar. 20	Jun. 8	Jun. 21
Mar. 21	Apr. 10	Jun. 22	July 5
Apr. 11	Apr. 24	July 6	July 19

For rate indications see end of Share Information Service

Money was given for the call of Aaronson Bros., Ladbroke Warrants, Town and City Properties, Ofrex, Premier Consolidated Oil, Capital and Counties Property, Grand Metropolit runis, Staflex Intern Lonrho, Burmah Oil, Bank, Westward TV, Joh A. Sellincourt, P. and O. red, Redfearn National National Carbonising, B Portland, Racal Electron Fodens. Puts were taken Henlys, Dixon's Photo, Lofs and Charterhall, doubles were arranged i Ladbroke Warrants, To City Properties and Lofs

CONTRACTS AND TENDERS

COMPANY NOTICES

PUBLIC NOTICES

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1977-78 high	1977-78 low
Grand Met.	50p	12	93	—	100	62
ICI	£1	12	338	+ 3	446	325
Reed Internationl.	£1	12	116	+ 3	233	100
BP	£1	11	724	− 2	966	720
EMI	50p	9	146	—	254	141
Distillers	50p	8	166	—	193	120
Glaxo	50p	8	523	—	607	401
P & O Deferred	£1	8	97	—	175	95
Shell Transport	25p	8	495	+ 2	633	454
BATs Deferred	25p	7	230	—	260	203
BICC	50p	7	102	+ 2	137	85
Bellway	25p	7	64	+ 4	64	[illegible]
GEC	25p	7	247	+ 1	294	[illegible]
GKN	£1	7	268	+ 1	300	260
Marks & Spencer	25p	7	142	+ 1	173	95

The above list of active stocks is based on the number of bargains recorded yesterday in the Official List and under Rule 163(1) (e) and reproduced to-day in Stock Exchange dealings.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

FT—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actu and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS — Tues., Mar. 7, 1978

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Tues., Mar. 7, 1978 and previous days
1	CAPITAL GOODS (170)	[illegible]
2	Building Materials (27)	[illegible]
3	Contracting, Construction (28)	[illegible]
4	Electricals (15)	[illegible]
5	Engineering Contractors (14)	[illegible]
6	Mechanical Engineering (71)	[illegible]
8	Metals and Metal Forming (17)	[illegible]
11	CONSUMER GOODS (DURABLE) (52)	[illegible]
12	Lt. Electronics, Radio TV (15)	[illegible]
13	Household Goods (12)	[illegible]
14	Motors and Distributors (25)	[illegible]
21	CONSUMER GOODS (NON-DURABLE) (170)	[illegible]
22	Breweries (14)	[illegible]
23	Wines and Spirits (6)	[illegible]
24	Entertainment, Catering (18)	[illegible]
25	Food Manufacturing (22)	[illegible]
26	Food Retailing (16)	[illegible]
32	Newspapers, Publishing (13)	[illegible]
33	Packaging and Paper (15)	[illegible]
34	Stores (38)	[illegible]
35	Textiles (25)	[illegible]
36	Tobaccos (3)	[illegible]
37	Toys and Games (6)	[illegible]
41	OTHER GROUPS (97)	[illegible]
42	Chemicals (19)	[illegible]
43	Pharmaceutical Products (7)	[illegible]
44	Office Equipment (6)	[illegible]
45	Shipping (10)	[illegible]
46	Miscellaneous (55)	[illegible]
49	INDUSTRIAL GROUP (495)	[illegible]
51	Oils (5)	[illegible]
59	500 SHARE INDEX	[illegible]
61	FINANCIAL GROUP (100)	[illegible]
62	Banks (6)	[illegible]
63	Discount Houses (10)	[illegible]
64	Hire Purchase (5)	[illegible]
65	Insurance (Life) (10)	[illegible]
66	Insurance (Composite) (7)	[illegible]
67	Insurance Brokers (10)	[illegible]
68	Merchant Banks (14)	[illegible]
69	Property (31)	[illegible]
70	Miscellaneous (7)	[illegible]
71	Investment Trusts (50)	[illegible]
81	Mining Finance (4)	[illegible]
91	Overseas Traders (19)	[illegible]
99	ALL-SHARE INDEX (673)	[illegible]

FIXED INTEREST PRICE INDICES

	British Government	Tues. Mar. 7	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	108.30	+0.10	—	2.10
2	5-15 years	126.50	+0.13	—	1.59
3	Over 15 years	127.64	+0.15	—	2.32
4	Irredeemables	142.72	—	—	1.78
5	All stocks	120.24	+0.11	—	2.07

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. Mar. 7	Mon. Mar. 6
1	Low	5 years	7.77	7.82
2	Coupons	15 years	10.05	10.10
3		25 years	10.52	10.53
4	Medium	5 years	9.84	9.88
5	Coupons	15 years	11.06	11.07
6		25 years	11.22	11.23
7	High	5 years	10.50	10.52
8	Coupons	15 years	11.95	11.96
9		25 years	12.03	12.04
10	Irredeemables		10.30	10.30

		Tuesday, March 7 Index No.	Yield %	Monday March 6	Friday March 3	Thurs. March 2	Wed. March 1	Tues. Feb. 28	Monday Feb. 27	Friday Feb. 24
15	20-yr. Red. Deb. & Loans (15)	60.57	12.25	60.59	60.69	60.65	60.77	60.78	60.80	61.0
16	Investment Trust Prefs. (15)	56.83	13.46	56.93	56.87	57.07	57.07	57.07	57.07	57.1
17	Coml. and Indl. Prefs. (20)	76.86	11.83	76.92	77.00	76.95	77.03	77.10	77.10	77.2

[illegible]

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

New Zealand Ins. Co. (U.K.) Ltd.♥

Maitland House, Southend SS1 2JS 0702 62955

Kiwi Key Inv. Plan	140.4	148.0	.....	—
Small Co's Fd.	95.0	100.0	.....	—
Technology Fd.	95.0	100.0	.....	—
Extra Inc. Fd.	95.0	100.0	.....	—
American Fd.	95.0	100.0	.....	—
Far East Fd.	95.0	100.0	.....	—
Gilt Edged Fd.	95.0	100.0	.....	—
Con. Deposit Fd.	95.0	100.0	.....	—

BASE LENDING RATES

A.B.N. Bank	6½%	■ Hill Samuel §	6½%
Allied Irish Banks Ltd.	6½%	C. Hoare & Co. †	6½%
American Express Bk.	6½%	Julian S. Hodge	7½%
Amro Bank	6½%	Hongkong & Shanghai	6½%
A P Bank Ltd.	6½%	Industrial Bk. of Scot.	6½%
Henry Ansbacher	6½%	Keyser Ullmann	6½%
Banco de Bilbao	6½%	Knowsley & Co. Ltd.	9 %
Bank of Credit & Cmce.	6½%	Lloyds Bank	6½%
Bank of Cyprus	6½%	London & European	8 %
Bank of N.S.W.	6½%	London Mercantile	6½%
Banque Belge Ltd.	6½%	Midland Bank	6½%
Banque du Rhone	7 %	■ Samuel Montagu	6½%
Barclays Bank	6½%	■ Morgan Grenfell	6½%
Barnett Christie Ltd.	8½%	National Westminster	6½%
Bremar Holdings Ltd.	7½%	Norwich General Trust	6½%
Brit. Bank of Mid. East	6½%	P. S. Refson & Co.	6½%
Brown Shipley	6½%	Rossminster Accept'cs	6½%
Canada Permanent AFI	6½%	Royal Bk. Canada Trust	6½%
Capitol C & C Fin. Ltd.	9 %	Schlesinger Limited	6½%
Cayzer Ltd.	7 %	E. S. Schwab	8½%
Cedar Holdings	8 %	Security Trust Co. Ltd.	7½%
Charterhouse Japhet	6½%	Shenley Trust	9½%
Choulartons	6½%	Standard Chartered	6½%
C. E. Coates	7½%	Trade Dev. Bank	6½%
Consolidated Credits	6½%	Trustee Savings Bank	6½%
Co-operative Bank *	6½%	Twentieth Century Bk.	7½%
Corinthian Securities	6½%	United Bank of Kuwait	6½%
Credit Lyonnais	6½%	Whiteaway Laidlaw	7 %
The Cyprus Popular Bk.	6½%	Williams & Glyn's	6½%
Duncan Lawrie ¶	6½%	Yorkshire Bank	6½%
Eagil Trust	6½%		
English Transcont.	8 %		
First London Secs.	6½%		
First Nat. Fin. Corpn.	8½%		
First Nat. Secs. Ltd.	8 %		
Antony Gibbs	6½%		
Greyhound Guaranty	6½%		
Grindlays Bank ‡	6½%		
Guinness Mahon	6½%		
Hambros Bank	6½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 3%, 1-month deposits 3½%.
† 7-day deposits on sums of £10,000 and under 3%, up to £25,000 3½% and over £25,000 4½%.
‡ Call deposits over £1,000 3%.
§ Demand deposits 4%.
¶ Rate also applies to Sterling Ind. Secs.

Jardine Fleming & Co. Ltd.

46th Floor, Connaught Centre, Hong Kong

Jardine Estn. Tst.	$HK210.69	+0.79	3.40
Jardine J'pn. Fd.*	$HK283.04	+3.36	1.10
Jardine S.E.A.	$US11.89	+0.15	2.40
Jardine Flem. Int.†	$HK8.94	+0.01	—

NAV Feb. 28. *Equivalent $US81.40. Next sub. March 15.

Kemp-Gee Management Jersey Ltd.

1, Charing Cross, St. Helier, Jersey. 0534 73741

Kemp-Gee Capital	79.8	82.3	+0.4	—
Kemp-Gee Income	62.4	64.4	+0.5	8.50

Warburg Invest. Mngt. Jrsy. Ltd.

1, Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. Feb. 23	$US12.37	12.68	.....	—
CMT Ltd. Feb. 23	£12.62	12.95	.....	—
Metals Tst. Feb. 16	£10.93	11.20	.....	—
TMT Feb 9	$US9.25	9.50	.....	—
TMT Ltd. Feb 9	9.13	9.37	.....	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US12.67	−0.02	—

NOTES

Prices do not include $ premium, except where indicated ♦, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♥ Net of tax on realised capital gains unless indicated by ♦. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

INSURANCE BASE RATES

† Property Growth 7½%

† Vanbrugh Guaranteed 7.43%

† Address shown under Insurance and Property Bond Table.

CORAL INDEX: Close 440-445

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

AMERICANS—Continued

S.E. List Premium 37½% (based on $US1.9260 per £)

Conversion factor 0.7270 (0.7289)

CANADIANS

S.E. List Premium 37½% (based on $2.1753 per £)

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

BUILDING INDUSTRY—Cont.

CHEMICALS, PLASTICS

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
210	70	Falcon Rh 50c	195	−15	Q50c	1.3	23.8
24	9	Rhod'n Corp. 16½p.	20	−3	0.57	4.3	4.3
165	52	Roan Cons. R4	70	......	—	—	—
164	115	Tanganyika 50p	123	+1	Q11.0	1.1	8.9
80	70	Do. Pref. 80p	78		Q9½	16.4	9.2
42	27	Wankie Col. Rh 1	36	−3	Q7½c	1.4	17.8
27½	10	Zam.Cpr.SBD0.24	10½	......	—	—	—

AUSTRALIAN

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
20	10	Acmex 25c	10	......	—	—	—
127	57	Bougainville N'Tecs	77	−1	Q8c	1.5	6.5
128	62	BH South 50c	63	−3	—	—	—
325	119	Conzinc Riotinto 50c	152	−4	Q10c	ɸ	4.1
72	18	G.M. Kalgoorlie $1	70	......	—	—	—
112	77	Hampton Areas 5p	90	......	1.45	4.1	2.4
35	10	Metals Ex. 50c	12	......	—	—	—
242	125	MIM Hldgs. 50c	125	−2	Q9c	1.7	4.4
105	10	Mount Lyell 25c	17	......	—	—	—
2¼	1	Newmetal 10c	2	......	—	—	—
120	79	North B. Hill 50c	82	......	Q8c	1.5	6.0
12	4½	Nth. Kalgurli	11	......	—	—	—
147	87	Oakbridge $A1	135	......	†Q11c	1.9	5.1
55	20	Pacific Copper	30	−3	—	—	—
£13	575	Pancont'l 25c	800	+25	—	—	—
29	8	Paringa M&Ex.5p	13½	+1	—	—	—
555	345	Peko-Wallsend 50c.	440	+2	Q15c	4.0	2.1
164	84	Westn. Mining 50c.	89	......	Q6c	1.4	4.2
75	35	Whim Creek 20c	35	......	—	—	—

TINS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
39	18	Amal. Nigeria	29	+1	†2.51	1.6	13.6
395	240	Ayer Hitam SM1	290	......	Q416.7c	0.9	32.0
57	25	Beralt Tin	55	+4	3.75	2.3	10.3
260	155	Berjuntai SM1	225	......	‡Q60c	ɸ	‡
570	260	Geevor	495	......	18.05	3.4	5.5
13	8	Gold & Base 12½p	8½	−½	—	—	—
325	190	Gopeng Cons.	250	−5	15.0	0.9	9.1
150	72	Hongkong	150	......	—	—	—
100	60	Idris 10p	88	......	7.5	ɸ	12.9
11	7	Jantar 12½p	11	......	—	—	—
85	30	Kamunting SM0.50	70	......	2015.5c	0.7	4.8
490	260	Killinghall	450	......	Q125	ɸ	27.8
410	217	Malay Dredging SM1	275	......	Q95.5c	0.8	7.0
50	40	‡Pahang	42	......	†Q2.5	0.5	5.1
70	50	Pengkalen 10p	53	......	6.5	1.3	18.6
215	133	Petaling SM1	170	......	[illegible]	10.9	[illegible]
90	35	Saint Piran	50	......	[illegible]	4.6	6.0
73	52	South Crofty 10p	53	......	[illegible]	1.5	10.4
210	77	South Kinta SM0.50	100	......	[illegible]	1.4	11.1
305	148	Sthn Malayan SM1	245	......	[illegible]	1.1	11.5
160	57	Sungei Besi SM1	152	......	—	—	—
64	18	Supreme Corp SM1	64	......	‡Q10c	—	3.4
102	42	Tanjong 15p	[illegible]	......	[illegible]	ɸ	7.0
95	45	Tongkah Harbr $M1	53	......	[illegible]	1.6	14.4
203	93	Tronoh SM1	175	......	[illegible]	2.0	3.7

COPPER

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
198	70	Messina R0.50	74	....	‡Q30c	1.9	‡

MISCELLANEOUS

1977-78 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's
9½	9	Burma Mines 17½p.	9	......	—	—	—
115	56	Colby Mines $C1	60	+4	—	—	—
600	225	Cons. Murch. 10c	270	−5	Q30c	ɸ	7.8
475	245	Northgate C$1	245	......	—	—	—
247	164	R.T.Z.	165	+1	8.5	q3.1	7.8
70	38½	Sabina Inds. C$1	21½	−½	—	—	—
£14¼	780	Tara Exptn. $1	750	......	—	—	—
55	39	Tehidy Minerals 10p	45	......	1.21	2.5	4.1
160	120	Yukon Cons. C$1	125	......	Q7c	ɸ	3.4

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- ▲ Sterling denominated securities which include investment dollar premium.
- ■ "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ɸ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ◆ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend: cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

"Recent Issues" and "Rights" Page 40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	25	......
Ash Spinning	43	......
Bertam	14	......
Bdg'wtr. Est. 50p	252	......
Clover Croft	22	......
Craig & Rose £1	400	......
Dyson (R.A.)	39	......
Ellis & McHdy	63	......
Evans Fr'k 10p	57	......
Evered	15½	......
Fife Forge	47	......
Finlay Pkg. 5p	19	−1
Graig Ship. £1	175	......
Higsons Brew	80	......
I.O.M. Stm. £1	145	......
Holt (Jos.) 25p	243	......
N'thn. Goldsmith	57	......
Pearce (C. H.)	129	......
Peel Mills	17	......
Sheffield Brick	46	......
Sheff. Refrshmt.	51	......
Shiloh Spinn.	19	......
Sindall (Wm.)	83	......

IRISH

Conv. 9% '80/82	£96	......
Alliance Gas	70	......
Arnott	270	......
Carroll (P.J.)	103	+1
Clondalkin	86	+1
Concrete Prods.	116	+3
Heiton (Hldgs.)	49	......
Ins. Corp.	140	......
Irish Ropes	133	......
Jacob	57	......
Sunbeam	30	......
T.M.G.	178	......
Unidare	72d	......

OPTIONS
3-month Call Rates

Industrials

A. Brew	6½	I.C.I.	23	Tube Invest.	30
A.P. Cement	18	"Imps"	7	Unilever	40
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	10	Inveresk	7	Vickers	15
Barclays Bank	25	KCA	5	Woolworths	6
Beecham	38	Ladbroke	17		
Boots Drug	15	Legal & Gen.	14	**Property**	
Bowaters	16	Lex Service	7	Brit. Land	3½
B.A.T.	24	Lloyds Bank	22	Cap. Counties	5
British Oxygen	6	"Lofs"	5	E.P.	5
Brown (J.)	20	London Brick	5	Intereuropean	4
Burton 'A'	13	Lonrho	7	Land Secs.	18
Cadburys	5	Lucas Inds.	25	MEPC	12½
Courtaulds	19	Lyons (J.)	13	Peachey	10
Debenhams	10	"Mams"	7	Samuel Props.	10
Distillers	13	Mrks. & Spncr	11	Town & City	2
Dunlop	8½	Midland Bank	25		
Eagle Star	11	N.E.I.	20	**Oils**	
E.M.I.	15	Nat. West. Bank	22	Brit. Petroleum	55
Gen. Accident	17	Do. Warrants	19	Burmah Oil	7
Gen. Electric	18	P & O Dfd.	10	Charterhall	3½
Glaxo	40	Plessey	9	Shell	28
Grand Met.	9	R.H.M.	5	Ultramar	22
G.U.S. 'A'	12	Rank Org. 'A'	18		
Guardian	15	Reed Intl.	14	**Mines**	
G.K.N.	22	Spillers	4	Charter Cons.	12
Hawker Sidd.	20	Tesco	4	Cons. Gold	20
House of Fraser	12	Thorn	22	Rio T. Zinc	16
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday March 8 1978

Price rise warning by steel industry

BY ROY HODSON

ENGINEERING and other metal-using industries face price rises of up to 12 per cent. for some British Steel Corporation products during the next three months.

Plates and long products are most likely to be affected, with flat products, vital for the motor industry, unlikely to suffer such big increases because of weak demand and competition from imports.

A clear warning that British steelmakers intend to pursue a harder pricing policy, now that the EEC industry is underpinned by the imports restraint plan designed by Viscount Etienne Davignon, EEC industrial commissioner, was given yesterday by Mr. Bill Richardson, British Steel's manager for contracts and prices.

He told steel men at a London seminar that the prices of some products would be raised between April and June and that British Steel would also work towards greater comparability between British and other EEC steel price-lists.

He mentioned no figures, but steel buyers are working on the assumption that some rises in the next three months will be as much as 10 to 12 per cent.

Mr. Richardson said that British steel prices could be expected to keep pace with the European inflation rate. But British Steel did not regard the Davignon plan as a licence to raise prices simply in order to eliminate the Corporation's losses.

Discounts

Mr. Eric Varley, Industry Secretary, has forecast that British Steel will lose £520m. in the present financial year. Mr. Richardson hinted yesterday that the losses might be contained at below £500m. But he added: "We still have one or two hiccups."

Negotiations are going on between the EEC and "third" countries whose steel industries export into the Community. The object is to secure bilateral agreements on prices and tonnages. The EEC is willing to allow third countries a price discount of, on average, 5 to 6 per cent. in the European market, but it is proving difficult to reach agreement on tonnage quotas.

Mr. Richardson said that tonnage would be the major stumbling block in the third country negotiations. "The fact is that importers cannot expect to go on increasing their market share in a falling market, while the domestic producers cut output." The cutbacks in steel imports from third countries should be considerably higher than the 10 per cent. mentioned in some quarters.

The same seminar, organised by Metal Bulletin, was told by Mr. John Safford, director of the British Iron and Steel Consumers' Council, that steel using industries could not accept that British prices should be higher than the Davignon guidance prices simply to enable BSC to reduce the scale of its losses. That would put Britain at a competitive disadvantage."

Layoff for 850 Ford tractor men

By Arthur Smith, Midlands Correspondent

FORD is the latest U.K. tractor maker to announce short-time working in response to the fall in world demand. About 850 production workers at the company's Basildon, Essex, plant will be laid off for two days before Easter.

Management last night warned that a similar two-day stoppage might be needed next month.

The company blamed fluctuations in world markets for the setback. The Basildon factory, which employs 4,000, supplies engines, hydraulics and rear axles for Ford tractor assembly world-wide. The plant built 47,825 tractors last year—more than a third of Ford's world sales.

Massey Ferguson has announced that nearly all 4,800 workers at its two Coventry plants will be laid off for the three working days of Easter week. The shutdown will be extended into the following week for the majority of machine shop employees. The company has warned that a further closure of Coventry operations will almost certainly be needed before the end of next month.

International Harvester is seeking the equivalent of 310 redundancies at its Bradford plant, largely because of the collapse of a contract with Turkey to supply 2,500 tractors and 4,000 sets of components a year.

The deal was overturned by the decision of the Turkish central bank to restrict imports. There are no plans to reduce labour at the company's Doncaster plant, where 4,700 make bigger tractors and other equipment.

Feature Page 23

De Beers acts to cool gems speculation

BY PAUL CHEESERIGHT

DE BEERS, the South African group which is a major diamond producer and whose Central Selling Organisation dominates the international market in rough stones, yesterday acted to cool the overheated gem market.

"There has developed in recent months a high level of speculative trading which has carried the price of rough diamonds in the open market to levels which are not justified in relation to prices at consumer levels," the company said as it announced a substantial profits increase.

"Stocks at inflated prices have accumulated in the cutting centres and are largely financed by bank credit, which is now at a level substantially higher than that needed to finance the normal working of the industry. The market should be alert to the dangers inherent in this situation."

Rough diamonds move into the international market through ten sales held in London every year by the central selling organisation. Despite price rises imposed by the Central Selling Organising in a 17 per cent. increase in December, they have been changing hands at a premium of up to 50 per cent. on the selling organisation price.

Reluctant

The company seems reluctant at this stage to make another price rise for fear of inflating values in the cutting centre still further.

De Beers and its selling organisation have maintained their primacy over the market by being able and willing to carry stocks in lean times and by funnelling stones on to the market at a rate which can be absorbed. A build-up of stocks outside their immediate control threatens their position.

Speculative activity has been most marked in Israel, where diamond traders have been attracted to holding stocks because of the weakness of the Israeli currency and the fluctuations of the U.S. dollar. The result has been to create artificial shortages within the trade.

Diamond traders working on credit have become vulnerable to a downturn in the jewellery market, because it is the high demand over the last two years—especially in the United States, Japan and Germany—that has underpinned prices. A downturn could result in burned fingers and dislocation of the established pattern of diamond trading.

De Beers last year made a net profit of R633.5m. (£376.9), compared with R337m. in 1976.

Mining News Page 28

Ten-company options for London market

BY MARGARET REID

OPTIONS IN shares of ten prominent British companies are expected to be dealt in when the trade share options market opens in London under the auspices of the Stock Exchange, probably early in April.

The ten are **British Petroleum; Commercial Union Assurance; Consolidated Gold Fields; Courtaulds; GEC; Grand Metropolitan; Land Securities Investment Trust; Marks and Spencer; ICI; and Shell Transport.**

It is hoped later to increase the list to between 30 and 40. Trading in share options, already developed in Chicago and other markets in the U.S., and elsewhere, introduces a new dimension into investment facilities.

It enables investors not only, as at present, to buy options to purchase shares in future at pre-fixed prices, but also to trade in the options themselves.

Although little has yet been announced about the London venture beyond the Stock Exchange's firm backing for it, preparations are at an advanced stage.

A separate venture in traded options, the European Options Exchange, opens in Amsterdam on April 4, trading initially in options on shares of nine companies, three Dutch, three British and three American.

The London options market, to be conducted from a podium on the Stock Exchange floor daily between 10 a.m. and 3.30 p.m., with no after-hours dealing, is a more restricted and substantially cheaper enterprise than the Amsterdam one.

The London market is not expected to cost more than about £200,000 to set up.

A number of restrictions are planned in London to counter any risk or malpractice or manipulation.

Options will be limited to 10 per cent. of the share capital of the underlying security, and there will be curbs on the number of options of each type which any individual or group or individuals can have.

Although no decision on commission charges have been taken, it is virtually certain that commission will based on the cost of the options, and not on the value of the underlying share, as in the existing non-tradeable options market.

Chief registrar forbids friendly society to enter new contracts

BY ERIC SHORT

DRUMMOND Assurance Society, the friendly society managed by Drummond and Company, insurance brokers, has been forbidden by the chief registrar of friendly societies from accepting new members or from entering into new contracts with members of the society.

The order was made yesterday under section 88(1) of the Friendly Societies Act, 1974. It is the first time the registrar has ordered a society to stop accepting new business since he was given the powers to do so in 1971.

The registrar said yesterday that, first, the amount spent on management of the society was an undue proportion of the society's premium income. Second, it lacked independence of operation since it had officers who were also executives with Drummond and Company and Drummond Investors — two companies whose financial standing was in question.

The society was registered under the 1974 Act on October 18, 1976. According to latest information available to the registrar, it has about 280 policy-holders and assets of £16,500 held by Midland Bank Trust Company. The death benefits under the policies are re-assured, and the society's investments are in units of funds managed by notable financial institutions, such as the M and G unit trust group, the Schlesinger group and Rothschild's New Court fund. Thus the solvency of the society does not appear to be in question and existing benefits are secure.

Drummond Assurance Society is the investment vehicle for the Drummond Life Assurance Bond — a unit-linked bond marketed by Drummond and Co. which, though it operates as insurance brokers, does not, apparently, belong to any professional body.

A feature of the scheme, with its investment into the units of other financial institutions, is that the tax exempt provisions allowed to friendly societies apply. Certain investors are taking legal action against Drummond and Co. for the repayment of money deposited with the company.

Yarrow men beat pay guidelines

BY PAULINE CLARK, LABOUR STAFF

ANOTHER MAJOR group of shipbuilding workers has beaten the Government's pay guidelines by winning a fair wages award.

Nearly 4,500 manual workers in the Yarrow Shipbuilding yard on Clydeside ended a month-old overtime ban yesterday after being told of the decision by the Central Arbitration Committee —a permanent tribunal set up by the Employment Protection Act to adjudicate on claims under the Act and other legislation.

The award comes on the eve of to-day's meeting in Newcastle of the Confederation of Shipbuilding and Engineering Unions at which the financial position of the industry is likely to be discussed in relation to wages in the nationalised yards.

A series of fair wage claims have also been lodged with the committee by workers elsewhere in the industry.

Like the Yarrow claim, they will be justified on the Fair Wages Resolution which stipulates that companies engaged on similar Government work should pay the same to their workers.

Such claims have been prompted this year by the Government pay restrictions and the fact that it is now easier to justify an award since the nationalisation of the industry.

After a variety of awards covering about 5,000 workers in Swan Hunter earlier this year, it is thought inevitable that further claims will be lodged, particularly by Tyneside shipbuilding workers.

Under the latest award, in what has emerged in recent months as something of a major fair wages bandwagon in the shipbuilding industry, the Yarrow workers have gained a similar increase to that achieved earlier this year by 1,200 staff at the yard.

They won a 10 per cent. increase on top of their latest wage rise of 9.32 per cent., after claiming a disparity between their rates and the rates of those doing similar work elsewhere.

While the staff used the Employment Protection Act, Schedule 11, the manual workers, in common with those at the Swan Hunter Tyneside yard earlier this year achieved the same result under the 1946 Fair Wages Resolution.

With about 5,000 manual workers at Scott Lithgow having also won a fair wages increase, the bulk of claims by Clydeside workers in nationalised yards for extra rises this year have been tied up.

Swan Hunter men return Page 8

Continued from Page 1

Rhodesia border conflict

Rhodesian attack was simply directed against a Zambian army base, for it would serve little purpose other than to barden the Zambian Government's stand.

Last month Rhodesian troops were reported to have made two raids in swift succession on Zapu forward camps on the Zambian side of Lake Kariba, in which over 20 guerillas were killed.

Although denying the raids, the Zambian Government did announce the deaths of eight Zambian soldiers in a landmine explosion. Observers believe the mines may have been laid by retreating Rhodesian forces. At least three Zambian civilians also died in land-mine explosions in the same area last month.

Our Foreign Staff writes: Rhodesian military headquarters confirmed last night that Rhodesian forces had entered Zambia in an attempt to pre-empt "a large scale incursion" from "a terrorist base" inside Zambia.

All military information from Rhodesia is now subject to censorship, but Reuters reported from Salisbury that according to a military communique a group of guerillas had crossed into Rhodesia "and committed atrocities against the civilian population."

Guerillas had been observed rehearsing "boat-crossing operations" on the Zambesi river, and as "it became apparent that this group was the forerunner of a large incursion which was in the process of being mounted, a self-defence operation was launched against the terrorist base."

The communiqué said that 38 guerillas had been killed and large quantities of Soviet-made equipment captured or destroyed. There were "no Zambian forces or civilians in the terrorist base at the time of the attack" and all Rhodesian soldiers had now returned, the communiqué said.

Meanwhile in New York, where the Security Council debate on the Rhodesian issue continued last night, UN Secretary-General Kurt Waldheim strongly condemned the Rhodesian attack. It is not clear whether the African group will go ahead with a resolution seeking outright Security Council condemnation of the Salisbury settlement.

Miners set to defy Carter

By Jurek Martin, U.S. Editor

WASHINGTON, March 7.

PRESIDENT Jimmy Carter's attempt to get the unionised coal mines operating again met predictable obstacles to-day as both miners and employers showed signs of resisting his initiatives.

Even though the legal orders implementing his invocation yesterday of the Taft-Hartley Act, putting the miners back to work for an 80-day cooling off period will take effect only on Thursday at the earliest, informal surveys suggested that a majority of the members of the United Mine Workers Union would defy the injunctions.

In addition to their deep resentment of the non-wage elements of the settlement which they have overwhelmingly rejected, the miners are incensed by the President's refusal to order seizure of the mines simultaneously.

The Bituminous Coal Operators Association recommended to its members that the mines be re-opened but only under the terms of the old 1974 contract.

Yesterday Mr. Carter said he hoped to find a way for miners returning to work under Taft-Hartley to be paid wage rates designated in the rejected settlement, which would have provided for a 37 per cent. increase over three years.

Palatable

The statement put out by the Operators Association, which claims that it had no discussions with the Administration about the proposed "sweetener" until Mr. Carter made it public, merely said retroactive wage payments could be made where individual settlements were reached in the course of the cooling off period. It also suggested that the Government and union should produce a new bargaining formula.

In the face of this intransigence from both union and management, there was renewed speculation to-day that President Carter might yet consider seizure of the mines.

At briefings yesterday senior Administration officials ruled this out, arguing that seizure, while more palatable to the union, would involve a time consuming legislative process and be an inducement for miners not to comply with Taft-Hartley in the meanwhile.

But Mr. Ray Marshall, the Secretary of Labour, was much less adament in a television interview last night. Though he argued that a combination of seizure and Taft-Hartley "tend to neutralise each other," he said the Administration would have seizure legislation prepared if necessary.

Mr. Arnold Miller, the beleaguered head of the Mineworkers Union, said he thought some miners would go back to work "because they are law abiding citizens."

Canada's borrowing requirement. Page 4; Feature, Page 22

Weather

U.K. TO-DAY

DRY in the S. Rain in the N.

London, S. England, E. Anglia, Midlands, Channel
Dry, bright intervals. Max. 9C (48F).

E., N. England
Bright at first, rain possible later. Max. 8C (46F).

Wales, N.W. England, Lakes
Cloudy, occasional rain, clearing. Max 8C (46F).

Scotland, Borders, I. of Man, Orkney, Shetland
Cloudy, rain and hill fog, clearing. Max. 6-8C (43-46F).

BUSINESS CENTRES

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Amstrdm.	F	7	45	Madrid	S	12	54
Athens	C	17	63	Manchstr.	C	8	46
Bahrain	S	24	75	Melbourne	C	26	79
Beirut	S	18	64	Mexico C.	S	21	71
Belfast	C	9	48	Milan	F	13	55
Belgrade	R	2	36	Montreal	S	−5	23
Berlin	C	6	43	Moscow	Sn	1	34
Birmghm.	C	9	48	Munich	C	1	34
Bristol	C	9	48	Newcastle	F	10	50
Brussels	S	8	46	New York	S	0	32
Budapest	C	5	41	Oslo	C	2	36
B. Aires	S	25	77	Paris	S	8	46
Cairo	S	20	68	Perth	C	34	93
Cardiff	F	7	45	Prague	F	2	36
Chicago	S	−2	28	Reykjavik	C	5	41
Cologne	C	6	43	Rio de J'o	C	29	84
Copnhagn.	F	4	39	Rome	F	15	59
Dublin	C	10	50	Singapore	R	26	79
Edinburgh	C	10	50	Stockholm	C	1	34
Frankfurt	F	5	41	Strasbrg.	S	7	45
Geneva	F	5	41	Sydney	S	33	92
Glasgow	C	9	48	Tehran	R	5	42
Helsinki	S	1	34	Tel Aviv	S	21	70
H. Kong	C	19	66	Tokyo	S	11	52
Jo'burg	C	22	72	Toronto	S	−7	19
Lisbon	S	17	63	Vienna	S	5	41
London	S	11	52	Warsaw	F	4	39
Luxembrg.	S	6	43	Zurich	C	3	37

HOLIDAY RESORTS

		Y'day Mid-day °C	°F			Y'day Mid-day °C	°F
Ajaccio	F	14	57	Istanbul	C	8	46
Algiers	R	11	52	Jersey	F	9	48
Biarritz	S	11	52	Las Plms.	C	18	64
Blackpool	C	8	46	Locarno	S	12	54
Bordeaux	S	10	50	Majorca	C	13	55
Boulogne	F	9	48	Malaga	S	16	61
Casblnca.	S	16	61	Malta	F	17	63
Cape Tn.	C	20	68	Nairobi	C	20	68
Corfu	S	17	63	Naples	S	15	59
Dubrovnik	S	15	59	Nice	S	17	63
Faro	S	15	59	Oporto	S	17	63
Florence	C	12	54	Rhodes	F	19	66
Funchal	S	16	61	Salzburg	C	3	37
Gibraltar	F	17	63	Tangier	S	19	66
Guernsey	S	8	46	Tenerife	C	12	54
Innsbruck	C	4	39	Tunis	C	14	57
Inverness	F	10	50	Valencia	S	16	61
I. of Man	C	9	46	Venice	C	11	52

C—Cloudy. F—Fair. R—Rain. S—Sunny. Sn—Snow.

THE LEX COLUMN

European setback for Unilever

Index rose 1.3 to 444.1

Unilever's pre-tax profits turn out to be right in the middle of the range of market expectations at £551m., a decline of 10 per cent. on 1976. The profits of the fourth quarter are down 6 per cent. on a constant exchange rate basis at £125m.; but after allowing for currency movements and a £13½m. charge for exceptional provisions—mostly relating to the reorganisation of the Dutch meat business—attributable profits for the final period are an eighth lower at £62m.

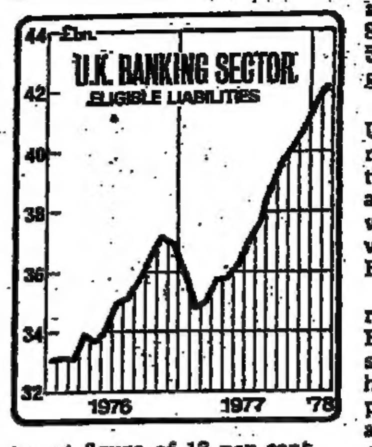
The 1977 figures are also influenced by the reduction in Unilever's shareholding in UAC Nigeria from 60 to 40 per cent. —on a comparable basis operating profits for this year would be up 6 per cent. Nevertheless the overall picture is not inspiring. The group's important European markets have been depressed and sales have actually declined in volume terms. The 11 per cent. sales rise for the group as a whole is fully accounted for by price increases.

With the exception of the Lipton business in the U.S., the only areas of real growth have been in the developing countries. Lever Brothers, Unilever's U.S. detergent business, had another poor year.

So the outlook for a substantial improvement in profits depends very much on Europe. Although outside analysts are forecasting a 15 per cent. increase at the pre-tax level for 1978 there are still few signs that the necessary boost in consumer spending throughout Europe is around the corner. On an unchanged price of 482p for the day, the shares are on a P/E of just under 7, and the unrestricted yield would be 6.3 per cent. In to-day's market there is nothing special about this rating.

Eligible Liabilities

The gilt-edged market picked up a litle last night on eligible liability figures which were less buoyant than predicted by some of those, who had anticipated substantial window dressing by corset-fearing bankers. All the same, an advance of 1.4 per cent. is far from satisfactory, coming on top of the rapid growth in other recent months. It looks as though the money supply figures, when they appear next week, could show a rise of the order of 1 per cent. in sterling M3, seasonally adjusted, and this would lead to an annualised growth rate for the April-February period of around 14½ per cent., still well above the top-of-the-range target figure of 13 per cent.



There is no immediate sign, despite a modest slackening compared to January, of an end to the burst of rapid monetary growth which has been reflected in an annual growth rate of 20 per cent. in sterling M3 since August. The prospects for the March banking month, which ends in a week's time, have been dented by the absence of significant gilt-edged sales by the Government since mid-February.

Still, a monetary problem which results mostly from low Government debt sales is in the course of time likely to be self-correcting as liquidity builds up. And there is no sign that an unduly high borrowing requirement or buoyant bank lending (clearing bank advances rose at only a moderate pace in February) are causing trouble. So with the long tap—taking the Government Broker's last effective price—only about ¾ of a point above the market, and with the new short tap also ready for action, the authorities are better placed to take advantage of any good news than for a little while past.

They are unlikely to allow any demand to push the market to significantly higher price levels, however. Confidence would be too brittle ahead of the Budget—just five weeks' off —with its declaration of the fiscal and monetary targets for 1978-79.

BSR

Last autumn BSR caught the stock market off-guard by posting a £0.9m. drop in interim profits and ever since then analysts have been revising their full year profit forecasts lower and lower. Instead of being £5m. or so up on 1976, as was widely anticipated just six months ago, BSR's pre-tax profits are in fact at £20.3m. But the been discounting a back and they closed at 90p last night. 8.0 per cent. and a 5.8 contrast sadly group's former glas

Predictably, BSR U.S. sound repro ness has suffered the weakness of th although North Am volume was up by was offset by sharp Europe, the U.K. an

Stripping out th rate movements th BSR's sound reproc sion stagnated. Th has subsequently i prices by 8-10 per another 5-6 per cen pipeline, so even if increase in sales y year profitability recover. Meanwhile consumer products to absorb a £0.5m. the recent Judge I acquisition but this back into the black and the group as a w be able to push above the 1976 peak helped by some sterling.

Comet/Wigfall

At the last possib Comet gas increase for Henry Wigfall an eighth to £14.2m per share. This timin cant. Its only real h ning the day is to resolve of the s controlling 45 p Wigfall (directors, th and friends) who h resolutely op approaches. So its been to take the heat out of the aff the market show how Wigfall could be wi Before yesterday's ment, when it seem that the initial lapse, Wigfall's s down to 196p.

On the basis of figures, the new generous. Even af round, Wigfall's pr half-year to next A expected to be much £1½m. Suggestions rental assets could nearly £25m. are irre less it can show that profits are going to substantially, or tha else is prepared to But at the moment t is that Wigfall's def probably hold.

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